

# Nation's Business

MAGAZINE FOR BUSINESSMEN

UNIVERSITY  
OF MICHIGAN

NOV 4 1953

NOVEMBER 1953

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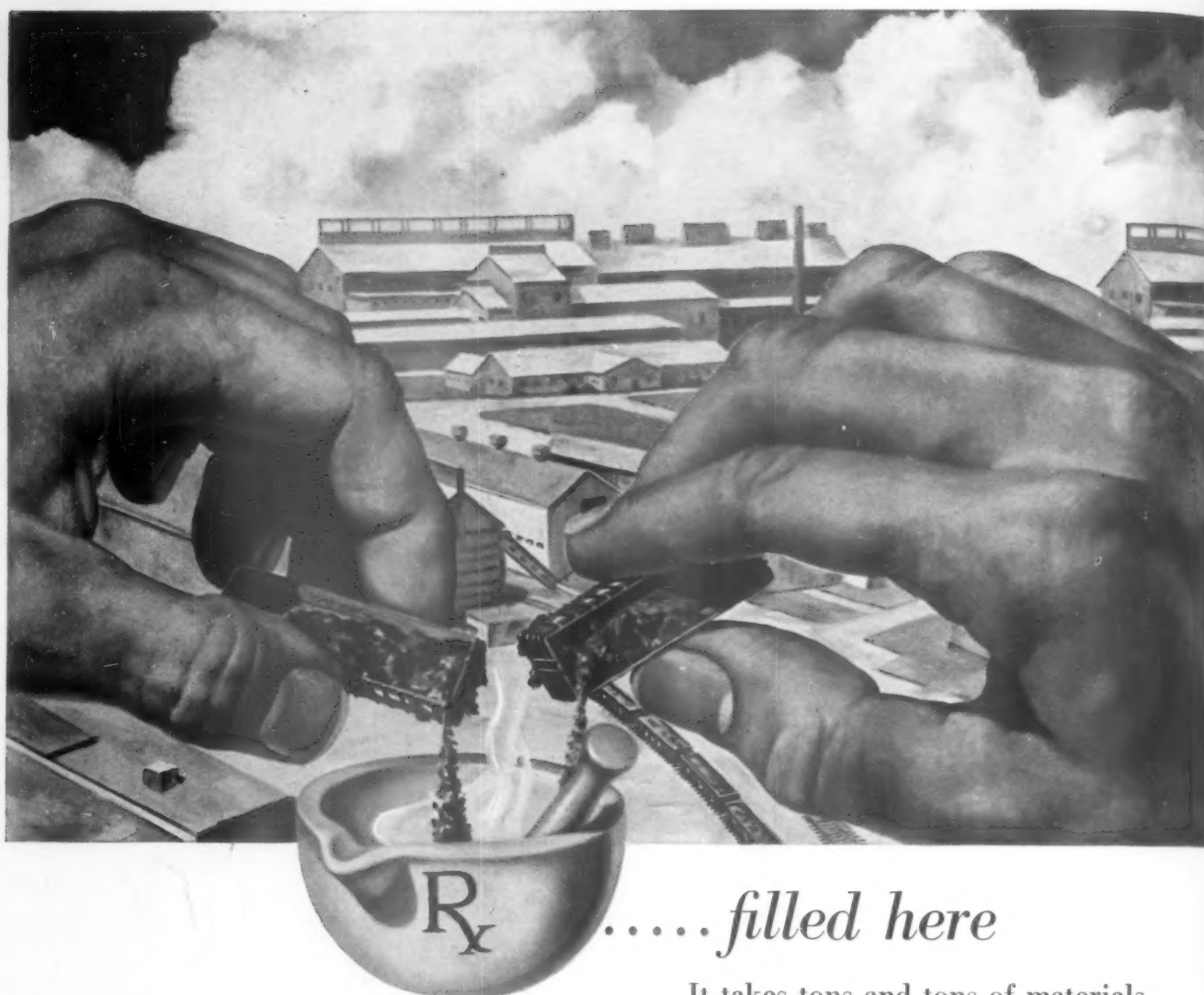


**COAL'S OUTLOOK—  
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*see page 25*



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# nation's business

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## ABOUT THIS ISSUE

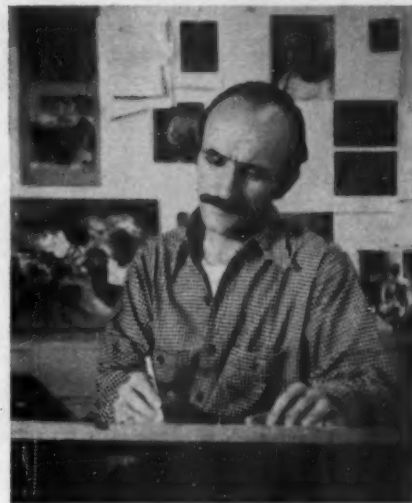
**SIMON GRECO** is a kind of 3-D painter. His success in achieving three-dimensional realism is evident in our cover painting, which shows a type of coal loading machine used in today's mines.

For paintings involving architectural design, Mr. Greco first makes cardboard models which, to anyone else, may actually resemble nothing. An empty cigar box, for example, in the Greco studio becomes a machine for loading coal. A discarded shoe carton becomes a mine.

Once a painting is finished—or appears to be finished—it sits around for a few days. The artist goes about his other work, stopping from time to time to study the picture, making minor adjustments.

In addition he does art work for magazines, books and advertising firms.

Mr. Greco was born in Italy in 1917. When he was two, his parents brought him to the United States,



following other relatives who had previously settled in St. Louis. He lived there until 1939, when he went to Chicago.

He moved on to New York in 1943, then to Connecticut five years ago.

For the full details on the coal industry's move to modernization, what coal's future will be, turn to page 28.

**GEORGE FIELDING ELIOT** and his wife own what he calls "a series of old barns" up in Litchfield County, Conn., "which we are trying gradually to convert into a house."

This conversion led Mr. Eliot to his current hobby: trying to avoid carpentry work.

"In a weak moment about three years ago," he says, looking around cautiously, "my wife asked me if I could make a couple of end tables to

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go with a divan. This, heaven help me, I did—the little woman having no previous knowledge that I knew one end of a hammer from another."

Since then there has been a little "project" every week end.

"The only way I can duck out of it," he confesses, "is to point out the necessity for putting the finishing touches on a piece of writing I'm doing."

"Even that wasn't a full protection until I finally fixed myself up a chair and table in the farther end of the remotest of these barns, where



my small wife is reluctant to pursue me because of a large green and yellow garter snake which inhabits the stone foundation and occasionally comes in and suns itself on the floor.

"He's my pal," Mr. Eliot smiles. "Except for him, I never would have gotten that South Dakota story finished in time!" The South Dakota story is on page 44.

Being director of public relations for an organization dedicated to the protection of wild creatures, Mrs. Eliot is in no position to take stern measures with her husband's little friend.

"She did think of sickening our cocker spaniel pup on him," Mr. Eliot continues, "but I pointed out that this would undoubtedly start the pup on a complex of bringing dead snakes proudly into the living room, which seemed to be the end of that idea."

So, for the moment, he is sitting pretty.

**DAN GALLERY** was born in Chicago 52 years ago. After attending St. Ignatius High School, he was appointed to the United States Naval Academy and graduated with the class of 1921. The year before he had been a member of the wrestling team that went to the Olympic Games in Antwerp, Belgium.

He was awarded the wings of a



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## What can your wife tell you about flooring?

She can tell you how important it is to choose a floor that will wear...keep its beauty...and still be easy and economical to maintain.

She can probably tell you that floors that look alike are far different in their ability to resist traffic, dirt, stain, greases and oils.

But, it takes more than your wife's advice to select the right flooring for your business. You need the expert training and experience of the Kentile, Inc. Flooring Contractor... whether your problem is your own office... your staff's cafeteria... or manufacturing areas. You, your architect or builder, will find it pays to consult the Kentile, Inc. Flooring Contractor. Find his name under FLOORS in the Classified Phone Directory... or write: Contract Dept., Kentile, Inc., Brooklyn 15, N. Y.

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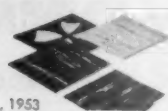
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naval aviator in 1927. The beginning of World War II found him commanding officer of a U. S. Navy fleet air base in Iceland. Later he commanded the baby flattop *USS Guadalcanal*.

During the war Rear Admiral Gallery staged the first boarding of an enemy naval vessel since 1815. It was the capture of the German submarine U-505 off Cape Blanco, French West Africa.

Subsequently, Admiral Gallery took command of the *USS Hancock* in time to attend the festivities aboard the Big Mo which ended the war with Japan.

Admiral Gallery became Assistant Chief of Naval Operations for Guided Missiles in 1946, a post he held until 1949. In March, 1951, he hoisted his flag on the *USS Coral Sea* as commander of Carrier Division Six. He commanded maneuvers at sea, including Hunter-Killer Force last year, and a year ago he became the commanding officer of the nation-wide Naval Air Reserve Training Command, with headquarters at the Naval Air Station, Glenview, Ill.

As an aviator, Admiral Gallery has more than 6,000 hours of flying experience in all types of naval aircraft. That includes the latest single-seat jets. He holds a green instrument card which, to service flyers, means plenty of actual instrument flying experience, as well as qualifying for the most specialized flying test in the services.

Admiral Gallery's hobbies are baseball and writing. Several of the



nation's leading magazines have published his work. For this issue he wrote the *NATION'S BUSINESS* short story of the month, on page 72.

The story provides an exceptionally fine description of war games, in this case an atomic "bombing" of New York City. There's some genuine entertainment, too, when the commanders of the two groups—one at sea, which is to "bomb" New York, the other assigned to preventing the attack—try to outwit one another.

► **PROFITS, WAGES RISE** sharply this year over last—with wages outstripping profits 4½ to 1.

So President's Council of Economic Advisers finds.

National income for first three quarters this year is at annual rate of \$309,400,000,000.

That's up \$21,500,000,000 in a year.

Who's getting the rise?

Wage earners are getting \$18,500,000,000 of it—to build up their total to \$208,000,000,000 (annual rate).

Corporations are getting \$4,100,000,000 of it (in profits before taxes) to bring their share up to \$44,000,000,000 (annual rate).

Note: Income of proprietors and those living on rental income drops despite over-all rise.

This group went down \$1,800,000,000 to a current annual rate of \$49,700,000,000.

Interest income of about \$7,000,000,000 remains fairly stable.

► **DON'T COUNT** next year's tax windfall too early.

Average 10 per cent cut in personal income tax, scheduled for Jan. 1, 1954, goes along with boost from 1½ to 2 per cent in Social Security levy.

And remember: That 10 per cent cut applies only to income above exemptions; Social Security's deducted from total income.

Here's how it works for a wage earner making \$4,800 a year and with four dependents.

He now pays about \$421 in tax. A 10 per cent reduction shaves \$42.10 from that amount, leaving tax of \$378.90.

At same time, he now pays \$54 in Social Security (1½ per cent on first \$3,600), will pay \$72 after Jan. 1—or \$18 more a year.

Take \$18 increase from \$42.10 reduction and he ends up with \$24.10 more in his pay envelope for the year—a little over 46 cents a week.

► **YOU'RE HEARING SOME** gloomy business talk these days.

Here's why:

Seasonal employment's up by about 225,000, less than one third last year's increase.

Larger percentage of firms (22 as

against about 12 last year) report slower sales.

That's one way to look at it.

Here's another:

Employment's at all-time high—and rising; unemployment's at lowest point since war year of '43.

More than three quarters of businesses say sales are same or better this year.

Spot check shows majority of businessmen confident for themselves, worried about "what's going to happen to Joe down the street."

Joe, in turn, is confident for himself, "not so sure" about others.

► **ADD THIS GRASS-ROOTS** forecast to your list:

(It's from one of smaller basic steel producers in Midwest.)

"Keen competition's the word now—markets are getting tougher; inefficient businesses will suffer, some may drop out.

"But lower production rates will give alert companies a chance to achieve cost savings through eliminating overtime, improved plant maintenance, etc.

"Business plans to prevent depression conditions are much better than was the case 20 years ago."

► **SHELF INVENTORY** in U. S. never has been higher—closet shelf, that is.

Material wealth in hands of average citizen is at the highest level in history.

It consists of clothing, automobiles, electrical goods, household furniture—effects of constantly rising standard of living.

Situation raises this question: Could you live off the shelf for the next year, buying only food, few other items?

The possibility that you could has never been greater.

That possibility is weakest spot in business outlook.

It means continued high sales, production levels depend on businessman's ability to promote new—and continued—demand for goods.

Depend, too, on continued high consumer spending power—to answer demand.

Note: Business inventories represented 1.57 months' sales in most re-



cent figures; compared with 1.63 months' sales same month a year ago.

► **HOSIERY MANUFACTURER'S problem:**

Women want sheerer stockings. Should he put in 12-denier, 66-gauge equipment for current demand, or 10-denier, 72-gauge, even sheerer?

If the first, he may lose heavily in retooling later; if latter, he may get smaller share of current market.

This highlights problems faced by many manufacturers.

Most want to push modernization but point out even some new machinery may be obsolete within few years.

This brings in tax write-off problem, too—adds to caution trend in capital investment.

► **HOW MUCH MONEY are Americans worth?**

Federal Reserve Board reports citizens have total assets of \$725,000,000,000, debts of \$84,000,000,000—or net worth of \$641,000,000,000.

Where are all the assets?

Most is in business and investments (\$328,000,000,000), with consumer goods next (\$258,000,000,000) and fixed-value assets (liquid savings, government securities) of \$109,000,000,000.

Median net worth of consumers is \$4,100, up nearly \$1,000 from '50.

(Note: "Median" is that point where there are as many above as below the income listed.)

Nearly half of 54,000,000 families are worth more than \$5,000; about one tenth are worth \$25,000 and more; another tenth have more debts than assets.

Median net worth ranges from \$1,300 for those making less than \$3,000 a year to \$10,300 for those in the \$5,000-plus bracket.

FRB reports proportion of larger net worth rose slightly as did number of those with more debts than assets.

Highest median net worth (\$15,000) is reported in group comprised of businessmen and farm operators.

► **WATCH FOR TREND to more production, and more sales effort in first quarter of '54.**

Timing on this effort—for tax purposes—may be big factor in fourth quarter business activity this year.

Some firms see advantages in pyramid-

ing expenses at higher tax rate during last two months of '53, reaping benefit of '54 tax reductions on income, profit after New Year.

That doesn't mean peak sales won't be reached over coming two months—does mean business is holding back some big promotional guns for next year.

Note: While business might be taking chance on cut in corporate, excise taxes, spokesmen feel that's part of risk, say net effect would be about equal if taxes stay up.

► **HERE'S RUNDOWN on major expiring laws Congress faces next session:**

March 1: End of low rent housing benefits for veterans.

March 15: End of President's authority to grant famine relief.

March 31: End of '51 boost in corporate tax rate from 47 to 52 per cent; end of '51 hikes in excise taxes; end of boost in capital gains tax from 25 to 26 per cent.

April 30: End of Korea vets' priority in sale or rental of homes; end of rent control in critical defense areas.

June 12: Reciprocal Trade Agreements Act expires.

June 30: End of free importation of copper and metal scrap; end of Mutual Security program except for delivery of contracted material; liquidation of Reconstruction Finance Corporation; final date for filing applications for federal aid in school construction.

July 1: End of FHA military housing insurance; end of Federal National Mortgage Association authority to contract for sale and purchase of mortgages; end of FNMA advance commitment authority; end of government authority to build temporary housing for military personnel, defense workers.

July 31: End of controls on authorized strength of armed forces.

Dec. 31: End of soil conservation program; deadline for election of methods in respect to excessive depreciation allowed prior to '52.

► **TREASURY STUDIES—among others—new "value added" tax.**

Proposal would assess manufacturer on basis of value added by manufacture, measured by gross receipts less materials and other costs.

One advantage backers claim: It would



# washington letter

dampen "sales tax" arguments, big political headache in election year. (See: "Here's the Debate on U. S. Sales Tax," page 30.)

Law's now on books in Michigan—went into effect this spring, expires in '55—and Treasury eyes it closely.

Also on tap:

A 20 per cent withholding plan for dividends, interest—to be collected at source.

Treasury says too many taxpayers don't report all income, wants to close loopholes, doesn't want to hit low income pensioners, widows, others who may already be exempt.

Basic idea: Corporation would send blanket check to government, dividend check to stockholder less 20 per cent.

The headaches: Red tape on refunds, extra bookkeeping, objections from bank trust departments.

► **LABOR LEADERS HAVE** trouble getting rank-and-file support for Taft-Hartley revisions.

Doesn't show up in their public speeches, but among themselves they're worried. Here's why:

Bulk of present labor group knows few details of T-H, sees fatter paychecks weekly, shrugs off "slave labor" talk.

New workers don't remember depression, haven't had many struggles to make ends meet.

They've also piled up higher standard of living than their fathers ever knew.

Two possibilities their leaders fear:

Increasing number of fledgling workers may look to management for gains.

Administration will continue T-H study, won't come up with revisions, will rely on interpretation of law by new National Labor Relations Board.

► **INCOME GAP narrows.**

Per capita income in five lowest-income states during past 20 years increased by 170 per cent—\$328 to \$986.

Five highest-income states went from \$1,091 to \$2,132, or 95 per cent.

Gap is narrowing on both geographical, personal scale.

Note: Boost has taken place at same time hours worked in manufacturing have dropped from 50 to 40.7 per week.

► **WATCH THIS CHECK LIST** of taxes now collected by U. S. which may be re-

turned to states over next few years.

Total, based on last year's figures, comes to \$1,559,100,000.

Admissions, \$376,300,000; club dues, tuition fees, \$33,600,000; bowling alley, pool table tax, \$3,600,000; local telephone service tax, \$310,300,000; coin operated amusement, gaming devices, \$18,200,000; safe deposit box leases, \$10,200,000; gasoline tax, \$711,600,000; oil tax, \$95,300,000.

► **DON'T BE SURPRISED** if government tries to sell its CCC loans to commercial banks.

That's just one iron in the fire if going gets too rough on debt limit.

So far in fiscal '54, U. S. has loaned farmers more than \$900,000,000 to support crop prices; under proposal, banks would take over loans but they'd still be guaranteed by U. S.

Nearly \$1,000,000,000 would accrue to Treasury as debt limit hedge.

Note: Pattern's similar to that followed by firms which sell accounts receivable to commercial credit houses.

► **BRIEFS:** Housing, Home Finance Agency weighs flexible interest rate plan to meet varying market conditions—new legislation would be needed in case of VA-guaranteed mortgages. . . . One of largest farm equipment manufacturers says industry must concentrate on new design, performance, points out models now being sold were on drawing boards before World War II. . . . Management consultant says 52 per cent of employees in banks and insurance firms "shuffle papers" instead of producing new business. . . . Spot check of state sales tax collections shows marked upward spurt over last year. . . . RFC will put nearly \$10,000,000 in municipal bonds on the block Nov. 17—part of the agency's liquidation. . . . Number of retail stores in Canada jumped 10.4 per cent in past decade, while sales climbed 210 per cent, from \$3,441,000,000 to \$10,653,945,000. . . . Ratio of applications to admissions is still 9 to 1 in medical schools, 5 to 1 in dental colleges. . . . Tough job: Survey shows less than 5 per cent of high school graduates in U.S. have had course in economics—yet they're expected to accept and extol the American way of doing business.

# Can you Qualify...

for this unusual opening as a sales representative?

Are you looking for a really unlimited opportunity in sales? We are seeking the highest type man as a sales representative for the manufacturer of a product sold exclusively to the commercial and industrial trade. The product is nationally known, and the business is free from cyclical economic fluctuations.

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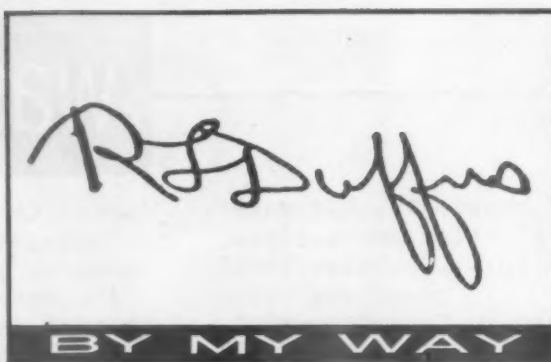
- age between 25 and 45
- education high school graduate or better
- have previous selling experience
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Send your resume, giving full details as to your age, marital status, place of birth, employment record and all other information you feel is pertinent in seeking a position of responsibility.

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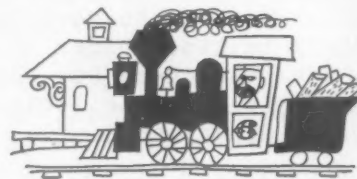
## The watch with a key

I KNOW what became of the old-fashioned man who used to wind his watch with a key: he died so long ago that even those who mourned him are no more. But now I read of self-winding watches and I wonder if the man who now winds his watch with a stem screw is also destined to go the way of the buffalo and the passenger pigeon. Personally I bridge a wide gap, for I am the owner of a symbolic watch key, bestowed upon me for being diligent in my studies during my college days, and whenever I feel the need for exercise I get out my pocket watch and wind it—but not, of course, with the symbolic key. I suppose the time is coming when nobody will have to do anything by hand. In those days, I imagine, even young persons in love won't hold hands—they'll just sit on their hands and look at each other. Or there will be a machine that will do the hand-holding, and the young folks will wonder how their ancestors ever got along without it. I could tell them, but I won't be there.

## Williamstown branch

TO RETURN to the subject of railroading (if I ever really left it), it is my custom during a considerable part of the year, on certain days of the week, to travel between the Big City and my not so tiny commuting suburb on a train which has thirteen or more cars, all of them usually full of the human race. This often reminds me, by contrast, of my early railroad traveling. My commuting trip is about 50 miles each way and we do it, weather and other circumstances permitting, in a few minutes over an hour. The trip we used to make between Williamstown (Vt.) and Waterbury (Vt.), via Barre and Montpelier Junction, was about 25 miles each way and took, under the best conditions, two hours and a half. As far as Barre the engineer might be Mr. Stebbins, who, I think but am not quite sure, studied under James Watts; that far we had a wood

burner with a big stack. Then we backed down to the Junction with a coal burner and there picked up the main-line train from Boston. All this was thrilling and adventurous, because there were so many places where something might go wrong. It is not so exciting now, between the Big City and my home town, though



once, some years ago, we ran off the track, without hurting anybody. I should add that Mr. Stebbins was a good man, with a beard, who boarded at the Monument House in Williamstown, tucked his napkin under his chin, and always carried his dishes out to the kitchen when he was through.

## November, 1953

ONE nice thing about November this year, that will make for good feeling among neighbors and help us to concentrate on our football and other noble causes, and be kind to dumb animals and get ready for winter in a leisurely way, is that there will be no national elections.

## Farewell, dear old summer!

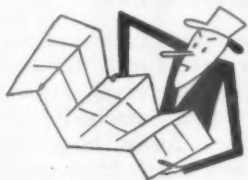
OUR suburban community on Long Island Sound, outside New York City, had, as usual, an active summer. Some of the plays at the summer theater were good and some were not, which is about the way plays work out anywhere. If you went down to the beach before breakfast on a week end you could often get into the water without having to step on anybody. Most of the automobile drivers around here, as well as quite a few pedestrians, survived the season, though some people wondered how and why. Summer visitors of both sexes went shopping in shorts, which was always interesting



but not always beautiful. Most of our visitors and summer residents are nice folks, but some of them are under a misapprehension as to how rural we really are. They are not as careful as they should be, since the funny-looking character in patched pants and an old sweater may be an artist, actor, musician, writer or something. I know one such who fools them, though. When summer residents ask him if he is a native he always pretends he can't speak English. And so now we're digging in—or out, as the case may be—for fall and winter.

### Those folding maps

I SUPPOSE there are just two kinds of people in the world: those who can fold up automobile route maps the same way they were originally folded, and those who cannot. I be-



long to the second group, my wife to the first. On long trips we evade this difficulty; I do the driving and my wife does the navigating, including the folding. I am a pretty good unfold-er, though.

### Laws we can't break

IN SOME respects I suppose we are all law-abiding, however careless we are in some other respects. A motorist may defy a red light, but not the law of gravitation. And I dare anybody to do anything about the law of averages, which (so I am informed by the lady who tells me things I don't know) makes it inevitable that a cool summer will be followed by a warmer-than-usual winter—or, as may happen, the other way around. Personally, I intend to go on obeying the law of averages, as a good citizen should.

### Escape—and return

WHEN we go on motoring trips some of our pleasantest moments come when we drive into little towns through tree-shaded streets (I don't know what else you can shade a street with), past rows of peaceful houses behind lawns. There isn't anything, really, so restful and so American as a small country town—I won't say a sleepy country town, because modern inventions have awakened most communities, big or little. I suppose we all like to go back, in this way, to where we came



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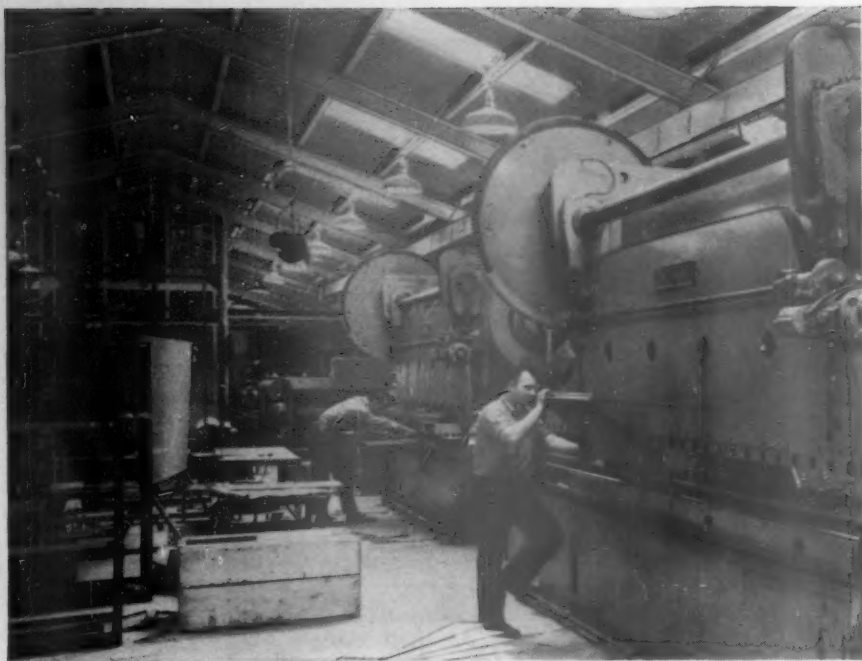
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Mr. Soos is president  
of Lake Shore Electric,  
Inc., Bedford, Ohio.

from. The history of the United States is mainly the history of people escaping from lovely little towns and going to new and bigger ones—the westward drift, the drift into the cities. We escaped—but still we love to go back.

### *The bank is never wrong*

ONE of the sadder facts of life (at least of life as I know it best) is that when somebody makes a mistake in adding or subtracting on the stubs in our check book (and ordinarily it is I and not my mathematically accurate better 50 per cent who makes the mistake) it always results in our having less money, rather than more money, than we expected when the bank's own statement comes in. I wish a bank would make a mistake some time.

### *And now November!*

THE passage of the seasons startles me. Or have I said this before? Or has somebody else? I have a dim memory that somebody did say it, somewhere away back when the nickel was worth fifty cents and the girls were so pretty and the weather always just right. Anyhow, it is true. The situation reminds me of friends who maintain small sailing boats, often with an engine to kick them home when the wind isn't right; these enthusiasts spend, it seems to me, five and a half months of each



year getting their craft ready to put into the water and the same amount of time getting them ready for winter. This leaves them a month of sailing. Usually they have to sail on week ends, and it rains. Of course they have fun. At any rate, now it is—or will be—November, and am I surprised?

### *Perils of football*

I CAN remember when football was regarded as brutal, and some persons thought it ought to be suppressed, or played with pillows or something. Nowadays it is clear that the players, trotting around on an open field on foot, are relatively safe. It is the public which as often as not gets killed or injured motoring to or from the game, or, if lucky, merely catches pneumonia in the autumnal rains, breezes and freezes, that is in peril.



BY FELIX MORLEY

## OF NATION'S BUSINESS Trends

### THE STATE OF THE NATION

**M**ANY people think of the problem of German reunification as being essentially political. How can Russia be induced to relinquish its grip on the Soviet zone? Will a united Germany necessarily be a threat to France? Can Poles and Germans ever reach amicable agreement on any frontier between them? This is the type of question that usually arises when the merger of the rudely divided halves of pre-Hitler Germany is discussed.

Intelligent solution of this overshadowing problem will be easier if we give more emphasis to the economic implications of divided Germany. And with this approach the issue of German reunification becomes a matter of particular significance to Americans. What is focused is not the nationalistic rivalries of different peoples, but the contrasting effectiveness of different economic systems. The latter is certainly a more fruitful source of inquiry than the almost tribal jealousies that make it so difficult to keep Europeans from springing at each others' throats.

• • •

After the war, Germany was provisionally divided into two approximately equal parts, with the East under Russian; the West under British, French and American occupation. Although the western area was slightly the larger, and has become increasingly the more populous, the economic division was fairly equal. The East Zone had the

industrial concentrations of Silesia and Saxony to offset the Ruhr area in the West. The East Zone had nearly as much agricultural production as the West. Its predominantly Prussian population was on the whole even more virile and hardworking than that of the West, containing the easy-going Rhinelanders and Bavarians. And though the West Zone had more large cities than the East, they had been in general much more completely destroyed by bombing.

In these comparable halves of a single nation, with a homogeneous population, two wholly different economic systems were developed. A centralized socialism was clamped down on the East Zone. Decentralized free enterprise was encouraged in the West.

The fact that Russia alone controlled East Germany made the imposition of standardized controls and regulations easy there. The fact that West Germany was divided into British, French and American sections made it necessary for the Germans there to rebuild by local initiative rather than by centralized guidance. Moreover, the initial Allied policy in the West was to dismantle all heavy industry, because of its war potential, and to break up all large estates and farms. Although designed to weaken Germany, this disintegrating policy served to stimulate greater productive effort from small manufacturers and farmers.

From 1945 to 1948, when the then worthless



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West German currency was successfully rehabilitated, there was little to choose between the economic conditions under Allied and under Russian control. Indeed many German technicians and professional men at first moved voluntarily from the West to the Soviet zone, to take jobs offered by the communist government. But with the establishment of the German Federal Republic, and the free general election which brought Chancellor Adenauer to power in August, 1949, a pronounced shift in the balance got under way.

While East Germany remained regimented under its puppet government, West Germany under free enterprise began almost automatically to revive. Financial aid from the United States certainly started the process of capital accumulation, wholly impossible in the communist area. Once started, however, the productive effort of the West Germans themselves began to make business hum. People lacked practically every convenience and often the necessities of life. But money had stable value. And soon nearly every productive worker was getting enough of it to satisfy his urgent needs, and in the process to create new employment.

• • •

The Socialist Party, in 1949 almost as powerful as Dr. Adenauer's Christian Democratic Union, was very critical of this free enterprise policy. The new government at Bonn, declared the socialists, was more interested in rehabilitating business than in the welfare of the workers. The Labor Party was then in power in Britain and many Germans praised its program of food subsidies, public housing, price controls and rationing. Amid this criticism Dr. Ludwig Erhart, the German minister of economics, stood firm. He emphasized that the production of wealth must precede its distribution; that private initiative is far more efficient in production than planned economy ever can be.

Taxation policy under Finance Minister Fritz Schaeffer has also been operated to stimulate, and not retard, production. In spite of the new government's poverty, special tax exemptions are granted for investment in most forms of reconstruction. Offsetting restrictions on dividend payments at least encourages businessmen to plow their profits back, with the paradoxical result that the average yield of equity capital in Germany today is only about half the rate obtainable on gilt-edged government obligations. These are in strong demand partly because both the federal and state governments in Western Germany have kept the public debt to a minimum. Their budgets are so well balanced that the German mark today possesses a purchasing power as high as it had in 1913.

This hard-money, free enterprise policy has now

paid off for Western Germany, both in the economic and political fields. What is often called the "miracle" of German recovery is immediately apparent to all who visit the territory of the Federal Republic.

Of course, there are still acres of ruin in those many cities where two-thirds or more of all dwellings were destroyed. The German worker, whose average wage is only a little more than \$20 for a 48 hour week, is pitifully poor by American standards. But wages are rising and a small amount of money goes a surprisingly long way in frugal German hands, as shown by the fact that savings bank deposits have been increasing 25 per cent per year for the past three years.

At the present rate of rebuilding, a few more years will see elimination of the still serious housing shortage.

During the election campaign the economics minister confounded the socialist opposition by pointing out that this year, in Western Germany, more dwelling units are being constructed by private builders than the socialists at first demanded as the ideal goal of a public housing program. Such illustrations of the triumph of free enterprise, in behalf of the general welfare, of course go far to explain the ease with which the Adenauer government triumphed in the September election.

• • •

While Western Germany has been rapidly building up from the appallingly low level of 1949, Eastern Germany has been as rapidly sinking ever lower in the prosperity scale. Too much of the blame for this steady deterioration in the East has been placed on Russian malevolence, just as too much of the credit for the recovery in the West has been given to American good will. The real reason for the difference is that the Germans in the East have been subjected to an economic system that punishes private initiative, while those in the West have been liberated by an economic system that rewards individual endeavor. It is, of course, true that the Soviet regime symbolizes the former, and the American the latter. But by emphasizing the two governments as rivals, rather than the two economic systems as such, we miss the real point of what has been happening in Germany.

The recovery of Western Germany, under free capitalism, is no more of a miracle than is the deterioration of East Germany, under planned socialism. Both trends, the upward and the downward, are the natural results of economic systems designed respectively to encourage and to discourage individual initiative and productivity. Only five years ago economic conditions in the two parts of divided Germany were much the same. Today the conditions are as different as day and night.

As a case study, this evolution in the two Germanies merits the attention of every American who wants convincing arguments for free enterprise.





## WASHINGTON MOOD

BY EDWARD T. FOLLIARD

**I**N ABOUT two years, our experts say, Russia will have a sufficiency of atomic bombs and hydrogen bombs. Also, they say, she probably will have better long-range airplanes to fly them to North America.

This is the great, overriding fact that confronts President Eisenhower a year after his election.

It is a problem that dwarfs all others facing the administration in this lovely autumn of 1953. It accounts for several noteworthy developments here—for the growing agitation for stronger "continental defense," for the decision to put military needs above economy, and for such bipartisanship as we have seen here in the cordial get-together of President Eisenhower and Adlai Stevenson.

It could mean that, despite all of the administration's efforts to economize, the budget may remain out of balance for some time.

Outwardly, there is no great excitement in Washington over this state of affairs. You do hear, occasionally, of some worried citizen building a bomb shelter or pulling up stakes and moving to a farm in Virginia or Maryland to get out of the danger zone. But most people go along as they always have, their thoughts on their jobs and living instead of on the hideous vision of death hurtling from the skies.

Civil Defense officials, whose job is to plan for the possibility of a Russian blitz, find it difficult to work up interest among the populace. Recently, the President invited some of these officials to the White House rose garden, and sought to buck up their spirits. He told them not to be discouraged by the apathy they encounter, and he went on to say:

"It is awfully hard to awaken people to a sense of responsibility without trying to create hysteria—which we certainly don't want to do. . . . No matter what things look like at the moment, please keep going."

Ike also told the Civil Defense officials that it was necessary to get into the minds of Americans not only an awareness of the danger, but also a

realization of "our own strength and our ability to meet it."

The present situation—which means a revolution in our strategic position—began to take shape with Lindbergh's New York-to-Paris flight in 1927. Not many of us thought about it then, being concerned primarily with the bull market, prohibition and other issues of the day, but Lindy's mighty hop meant that in time the Atlantic and the Pacific would cease to be what they had so long been—vast moats that protected us against foreign attack so long as our Navy was strong. Indeed, not many of us thought about it when our Flying Fortresses began to soar across the oceans in World War II.

The awakening came with the end of the war, when Russia began acting up and reaching out for world dominion. Our strategists reminded us anew that the world was round, and that the air age had robbed us of our traditional ocean barriers. Russian bombers, we were made to realize, could take a short cut to America by flying across the Arctic.

• • •

Even so we had one consolation. We still had a monopoly of what Churchill called the "Great Deterrent"—the A-bomb. Thanks in large part to traitors, Russia got that in 1949. More recently she came up with the much more dreaded H-bomb.

Yes, you hear it said, but isn't the United States far ahead of Russia in both the number and quality of these awesome killers? And won't we, with our superior skill and resources, continue to stay ahead of her?

The answer from the experts is not very encouraging. They agree that we are ahead of Russia, and that we are likely to stay ahead. But that, they add, won't make a great deal of difference in two years or so, when they expect Russia to enter into what they call "the period of plenty."

A ratio of ten to one or even 1,000 to one in our favor will not do much good if the Russians have enough bombs to land one paralyzing blow that will kill millions of citizens and wreck much of our industrial plant. Here you get into what Gordon Dean, former chairman of the Atomic Energy Commission, calls "the perverse mathematics of destruction."

Mr. Dean puts it this way:

"We have said many times that we are ahead of the Russians, but that is not enough. It does us no good to reach the point where we would be able to

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wipe out the enemy 20 times over if he reaches the point where he can wipe us out just once."

Anyway, figures are only a part of the story. Moral scruples would prevent the United States from ever loosing a sudden, sneak attack against the Soviet Union. The Russians are under no such constraint.

Of course, if the Russians have good sense, they won't dare launch a blitz against the United States. Our power to retaliate is terrible to contemplate. Our Strategic Air Command, using bases within quick flying distance of Russia, would blast Moscow to smithereens, and also Leningrad and every other worthwhile target in that immense land. Logic, then, suggests that the men in the Kremlin know better than to start anything with Uncle Sam.

The chances are that logic will rule and that there will be no World War III. However, as the President himself has often said, there is always this danger—that a great conflict will start "stupidly."

• • •

If you are in Ike's position, and responsible for the security of 160,000,000 human beings, you can't afford to be dogmatic; you have to think, not only of probabilities, but of possibilities—of what could happen and might happen. You must feel, otherwise, that you have been faithless to the trust imposed in you. In short, you have to go on the assumption that the masters of Russia may not always be guided by common sense or logic, and that the "stupid" war may some day come and set the world on fire again.

Hence the recent stress on continental defense, not only in the military but in the industrial field. Defense Mobilizer Arthur S. Flemming has found, in a survey, that 71 per cent of this nation's industrial capacity and 54 per cent of industrial workers are concentrated in 50 large metropolitan centers—probable target areas. He is trying to persuade industry to locate new factories away from these areas and to make existing plants as bombproof as possible.

The chiefs of our armed forces, in planning ahead, are not so much concerned with Russia's intentions as with her capabilities.

They want America and her allies to have such strength as will be a deterrent or will assure victory if an attack does come.

President Eisenhower, when he was a five-star general, summed up the Pentagon's problem in these words:

"The greatest deterrent to aggression is to confront those who plot with an alert defensive force that can parry the first rush, while a crushing offensive is promptly initiated against the attacker."

Are we so prepared?

Well, there is no doubt that the United States

would be capable of a "crushing offensive"—at least through the air.

However, there is considerable doubt about our ability to "parry the first rush," if that should take the form of Russian bombers roaring down on our key cities. Those who are now clamoring for stronger continental defense—scientists and legislators like Sen. Stuart Symington of Missouri, former Secretary of the Air Force—say that we would not now be able to knock down more than 20 per cent of a Soviet air armada.

An absolute, airtight defense against enemy bombers seems to be out of the question. Even the most rabid advocate of continental defense acknowledges that. The question at issue is: Ought we not to do more than we are doing in this field, regardless of the cost?

What those who say yes envision is a vast radar screen that would give warning of the approach of enemy bombers. This would extend all the way from the Arctic and would be formed in part of radar-equipped Navy picket ships well off the coast. Then there would be heavily reinforced wings of interceptor planes, and also (provided they are feasible) the much-talked-about guided missiles that are supposed to hunt out the intruder bombers, latch on to them and destroy them.

All this will cost money, a lot of it. There have been reports that the White House is blocking such a program for reasons of economy. It can be said on good authority that this just isn't so—not as of this year anyway.

The Pentagon strategists have been told that they can have whatever they want for continental defense.

Our first line of defense, it is often said, is in the realm of diplomacy, where our statesmen must continue to strive for a settlement with the Russians no matter how bleak the outlook.

• • •

Such efforts are not always popular. The orator most likely to get cheers in this country is the one who excoriates the Reds. Let some statesman propose that we try to get the Russians around the council table and make another attempt at outlawing the A-bomb and the H-bomb, and he may find himself being denounced as an "appeaser." It happened to Adlai Stevenson after he made a speech reporting on his round-the-world trip.

General Eisenhower does not share that opinion of his 1952 Democratic rival. On the contrary, he greatly admires the Illinois statesman and has deep respect for his grasp of world problems. That is why he invited him to the White House and spent nearly three hours listening to his ideas for dealing with the Russians.

To those who say it is vain to try and negotiate with Moscow, and who talk wildly about a showdown, Ike has this to say: "Let's get this straight. The only way to win World War III is to prevent it."



# MEET ARTHUR BURNS:



EDWARD BURKS

## HE'LL INFLUENCE YOUR FUTURE

*As chief of the President's economic advisers, his recommendations directly shape U. S. policy and impinge upon countless business decisions*

By **HERBERT HARRIS**

PRESIDENT Eisenhower is counting on a steady probing, fact-smitten economist not only to detect signs of slump but also to have on tap a variety of programs that can check and reverse any real downswing in our prosperity.

He is Arthur F. Burns, who has one of those comparatively little known assignments which carry a responsibility rarely surpassed even by members of the Cabinet.

To do his job he is, at the moment, wearing two hats. As chairman of the Council of Economic Advisers, set up under the Employment Act of 1946, he informs the President on economic conditions, advises him on appropriate action and helps him prepare his annual economic report to Congress. He is also chairman of the Board on Economic Growth and Stability recently formed to create and consider various proposals to protect and invigorate our economic health. The Board is composed of high-ranking echelons from Treasury, Commerce, Agriculture, Labor, the Budget Bureau and the Federal Reserve, a team on which the President's personal economic aide, Gabriel Hauge, plays roving center.

As boss of both the Council and the Board, Mr. Burns exerts an influence in high affairs incomparably greater than that of any other technician. What he recommends to the President will directly shape U. S. economic policy, and indirectly impinge upon countless business decisions.

Mr. Burns believes that the President has a particularly sure grasp of the "connection between economic vitality, military security, and political and psychological leadership in international affairs." Moreover, the President and Mr. Burns are made particularly

compatible by the intensity with which they share the conviction that to prevent a severe depression in the United States is more important than anything else. They are equally certain that, to put this aim into effect, the government must be ready to intervene, whenever necessary, at decisive points in the productive process.

Behind this outlook are three basic considerations:

The American people must never again be subjected to the human indignities and material wastes of economic blight;

The rest of the free world depends upon trade with the United States to such an extent that any decline in our business activity has adverse and unsettling repercussions abroad;

The contest between freedom and totalitarianism is, in large measure, a competition between the equity and efficiency of two opposite and opposing economic systems, our own and communism.

Mr. Burns at 49 is an affable, self-contained personality who in conference or conversation arranges his orderly phrases between deliberate drags on his pipe. Displaying the modesty of the authentic expert who knows that there is always more to know, he has, a colleague says, a "steel drill type of mind." Certainly he is free of that fuzzy jargon with which many professional economists befuddle the public.

On the other hand, some lawmakers contend that Mr. Burns has his own brand of obscurity in that he is overcautious in committing himself on such issues as hard money and similar concerns.

"You can't tell where he is," complains one senator. "That boy just ducks and weaves like Joe Louis."

Many persons on Capitol Hill, however, believe that it is all right for Mr. Burns to err on the side of prudence, if he doesn't overdo it, since he represents the scientific approach in economic affairs. There is even the feeling that this may turn out to be a welcome contrast to the declamatory, or the "by guess and gosh," or other hunch attitudes so widely popular.

Mr. Burns believes that, while scientific exactitude is the ideal toward which economists should strive, it will be many years before attempts to analyze business trends can duplicate the certitude of chemical equations.

He therefore doubts that the present state of our "tested knowledge" enables anybody to make forecasts with the precision often claimed for them. On the other hand, he thinks that in recent years we have been forging tools which, still imperfect in design and tempering, can serve to warn of impending trouble.

Despite his misgivings about the value of prophecy, Mr. Burns proved clairvoyant enough when, five months before being named to his present post, he declared:

"Perhaps . . . an economic general staff will emerge within the government and take on some of the characteristics of military general staffs. Just as the military . . . draft plans for resisting different potential aggressors, each or a combination of which may strike at this point or that, so an economic staff may . . . work concurrently on plans for meeting a great variety of economic troubles. . . . And just as the military staff tends to concentrate on immediate danger points, but without neglecting the lessons of past campaigns and battles, so the economic staff may come to combine research . . . with the devising of policies to meet emerging conditions."

Today as chief of precisely this kind of economic general staff, he is performing a task for which in a

sense he has been in training for a quarter of a century. Since 1928 he has been studying the business cycle to find out why our economy expands and contracts in fluctuations that vary in scope from ground swell to tidal wave and which last from one to ten years.

He has especially sought to correlate and clarify the reasons why our industrial production rose 58 per cent in the decade 1899 to 1909, another 41 per cent by 1919, and 64 per cent from 1919 to 1929, but only three per cent in the ten years ending with 1939.

He is the foremost authority in this business cycle field as it was first mapped out by his mentor, the late Wesley Mitchell who—since his death in 1948—is being gradually recognized as a scientific genius in economics.

To understand the pivotal nature of Mr. Burns' place in today's Washington, and to gauge the impact of his ideas and techniques on the future of business, we need first to glance at the school of economic thought founded by Mr. Mitchell and carried on by Mr. Burns as his chief understudy and disciple.

Mr. Mitchell as early as 1913 had published his first epoch-making work on the business cycle. It was the first main attempt to collect and appraise the facts about what happens in the business community when conditions change. He was handicapped by lack of accurate statistics on interest rates, bond yields, and other factors; often he was forced to construct his own tables, a backbreaking chore. But in World War I, this same lack of statistics handicapped him even more when he was serving as price chief of Bernard Baruch's War Industries Board and had to put together vital mobilization data on wages and other costs.

After the armistice, Mr. Mitchell was doubly deter-

*Mr. Burns is reviewing the  
features of the current boom  
to learn what weaknesses  
are likely to appear,  
and to figure out therapy*

mined that the United States should have at least one establishment where it would be possible to assess the economy on the basis of evidence systematically compiled and verified. Hence in 1920, together with a group of like-minded associates, he founded the National Bureau of Economic Research.

As director of research for the Bureau and in lectures at Columbia University, Mr. Mitchell promptly set off a revolution in economic philosophy and procedure. The effects of that revolution are still growing. He insisted that the economist should give up his hallowed habit of speculating from unproved assumptions and get down into the heat and dust of observing how men, money and markets actually behave.

He affirmed that economics was in its infancy because it depended too much on logic and flashes of insight. Instead of indulging in armchair generalization, and then tailoring the facts to fit a preconceived thesis, he said, get the facts first, sift them, ponder them, see where they confirm or contradict each other, look behind them, and then explain what they mean.

He personally set the pace. He re-examined every step of his own original masterpiece. He decided that it was merely a rough sketch for a picture that required





EDWARD BURKS

of him a broader perspective, a bolder brush, new pigments, canvas, frame. He was determined to uncover the causes behind the ebb and flow of our economy as the first rational step for remedying its defects.

But the instruments sensitive and reliable enough for this kind of inquiry did not exist. He had to build them in much the same way as a physicist fashions laboratory apparatus to test a theorem. Mr. Mitchell, together with his uncommonly able staff at the Bureau, developed among other things a national income index so superior to any other that the U. S. Department of Commerce officially adopted it.

Mr. Mitchell sought to interpret our business system as a whole. He was not content to rely upon one or two obvious measuring rods. He covered the waterfront. He went questing into how firms are formed and fail, the effect of government fiscal operations on savings and investment, the interrelations between production, profits, payrolls, the sway of new technology over business opportunity, the rise and fall of industries, and how all these act upon each other.

At the same time, Mr. Mitchell was guiding a little band of recruits along the hard road of his own pioneering. Among the most promising was Mr. Burns who

was first exposed to Mr. Mitchell's new bracing ideas in the middle 1920's. Then Mr. Burns was a young instructor of economics and business administration at Rutgers, slogging toward his Ph.D. at Columbia. As an undergraduate, he had started in architecture, switched to law, then to finance, before alighting upon general economics as a career.

Born in Austria in 1904, Arthur Burns at the age of ten had come with his family to Bayonne, N. J., where he acquired from his father the house-painting and paper-hanging skills which enabled him to earn his way through college. Other spare-time and vacation work included that of mess boy on an oil tanker, seaman on a freighter, shoe and furniture salesman, stock clerk in Macy's New York department store, and tutor.

By temperament more inclined to the concrete than to the cosmic, Mr. Burns was enthralled by the Mitchell view that an ounce of documentation was worth a pound of doctrine. He was also attracted by Mr. Mitchell's insistence that improvement in our ways of work and wealth is to be found in the patient gathering and weighing of evidence, keeping in mind that the only normal condition of business is change.

(Continued on page 64)



# COAL'S OUTLOOK:

5

**C**OAL is on the upturn toward a more robust future. Output will be raised from a current 450,000,000 toward 1,000,000,000 tons a year by 1975; and sometime around that date, bituminous coal is expected to take over the heavier share of the U. S. energy load.

Hence the optimism which marks spokesmen for the coal industry—with its 325,000 employes, its more than \$4,000,000,000 invested in 8,000 mines owned by 5,000 firms that range from a family operation, financed by local interests, to the large corporation with securities listed on the stock exchange.

To be sure, over the past quarter of a century, some of coal's markets have dwindled dramatically. Between 1927 and the present, for example, coal has lost about 90 per cent of its sales to railroads, which have been replacing steam locomotives with diesels thus reducing fuel costs from 33 to 17 cents a freight mile and from \$2.45 to 69 cents per engine hour in yard switching.

During the same period, coal has been yielding more than a third of its former outlets to oil and natural gas for heating homes, schools, churches, stores, offices. Similarly, the thick black residual oil for firing smelters and mill and factory boilers has been depriving coal of nine per cent of its previous customers, especially in heavy industry.

Conversely, other coal markets have been growing briskly. It takes a ton of coal, as coke, to make a ton of steel, and as the latter's production expands, coal regularly is keeping pace, rising to 112,000,000 tons

for 1953, which represents a gain of 19,000,000 over last year.

But it is in the sphere of electric power where coal has scored most of its recent success and where it finds most of its immediate opportunity. From the mid 1930's until now, the electric utility's use of coal has increased 173 per cent and by 1956 will go up another 35 per cent.

At the moment, 112,000,000 tons of coal annually provide 66 per cent of the fuel for electricity's steam plants; latest blueprints for new facilities favor coal to an extent its Cassandras would have derided as hallucination even a decade ago. Nor in this field is coal likely to be superseded by atomic piles, barring unforeseen developments; as a practical substitute for coal, atomic energy is ruled out by its comparatively astronomical cost. On the other hand, the Atomic Energy Commission will be buying 23,000,000 tons of coal a year for its various installations when those now under construction or planned are finally in operation.

Aluminum, which depends particularly on electric power, has just completed one phase of expansion to 1,500,000 tons a year. After a breathing spell it will begin another. It takes about nine kilowatt-hours for a pound of aluminum and about seven tenths of a pound of coal for a kilowatt-hour; thus even a ten per cent gain in aluminum output could mean another 950,000 tons of coal a year. While this figure is not impressive in itself, the probability that aluminum will triple its capacity within a generation does offer to coal another alluring prospect. So does the new process to recover the versatile light metal, titanium.

Always around the corner are the still largely untapped possibilities of coal chemistry which has already released key components for aspirin, cortisone, Novocain, vitamins, sulfa drugs; nylon, Lucite and other plastics; the synthetic rubbers buna S and neoprene; perfume and flameproof paints; dyes for textiles, and stains to identify bacteria under the microscope; DDT, creosote, nitric acid for explosives, livestock feed, fertilizers and many other products.

Until recently virtually all of

them were formed from tars and vapors distilled in ovens where coal is airlessly baked into the chaste carbon, coke. However, last year a major chemical company built a \$11,000,000 plant in West Virginia to produce coal's basic ten substances (aniline, benzene, cresol, methyl and plain naphthalene, phenol, quinoline, toluene, toluidine, xylene) directly from raw lumps.

The method is to pulverize the coal and mix it with recycled oil into a paste which is combined with hydrogen under pressure of 6,000 pounds a square inch while subject to a heat of from 650 to 1,000 degrees Fahrenheit. The results have paid off to such a startling degree that the company is planning to invest another \$33,000,000 to enlarge plant capacity sixfold, while other concerns are rushing to catch up with its lead.

This hydrogenation process is still too new to permit accurate projections as to the amount of coal it will need by, say 1960; all anybody can estimate now is that the quantity will be "considerable."

Coal's bright beckoning future derives in part from a management that, after some undue repose and slack starts, buckled down to meet the competition of rival fuels.

To repel the inroads of those rivals coal operators have concentrated on cutting costs by means of large-scale mechanization, notably over the past dozen years. They have invested hundreds of millions of dollars in this program with its giant power shovels that engorge a roomful of earth and rock in a single bucket bite; its 20 ton automatic "miners" that rip chunks of coal from the seam to produce their own weight every ten minutes; the huge augers that gouge out nearly 100 tons an hour; the mechanical loaders that scoop up six tons a minute, dumping them into conveyer belt "galleries" or into shuttle cars.

One result has been to transform the human miner from an old-fashioned pick and shovel artisan into an extremely skilled machine operator with an average productiv-



# 54 PER CENT MORE DEMAND

ity of seven tons a day, three and a half times that of the Poles, four times that of the British, Dutch and French, 25 times that of the Japanese. Among the world's coal diggers, the American miner is the most highly paid at an average of \$2.55 an hour.

Since labor's wages comprise 60 per cent of coal's production costs, the industry has been seeking new rationalization and other efficiency systems in both underground (78 per cent) and surface or strip (22 per cent) mines to keep prices down. It is also seeking less expensive transportation.

Although the 80 per cent of coal that is moved by rail accounts for a fourth of all freight, or \$1,000,000,000 which is an eighth of all Class I revenues, coal executives feel that they have been burdened with an unfair proportion of recent boosts in rates which are 160 per cent above 1939 levels; with fresh ardor, over the past few months, they have been looking into alternative carriers: trucks, waterways, pipelines, aerial tramways and conveyer belts.

But in another connection, various coal producers and railmen have been very cordial and cooperative, indeed, pooling technical findings, funds, personnel to develop a coal-fired gas turbine to compete with diesels. Still in the experimental stage, it requires no water for steam or cooling even for a transcontinental run. It is expected to save from \$12 to \$15 an hour, or \$50,000 a locomotive year, in average fuel outlays for diesels.

This economy can bring substantial benefits to the railroads. But the turbine, when perfected, can at best enable the coal industry to recoup a minor portion of its vanishing railroad market.

Elsewhere, though, the outlook for recapturing lost territory, and thus lifting coal purchases, is somewhat more promising. Stoves, furnaces, and other conventional equipment have been improved along with dealer services. Preliminary tests on a smokeless steel boiler for dwellings with central heating prompt sponsors to claim that, on a cost and pro-

iciency basis, it can eventually supplant many other types of heating appliances.

Then, too, there is the heat pump for homes. It performs on the same principle as the electric refrigerator. Instead of extracting heat from milk, vegetables, meat, and discharging it into the kitchen, the pump extracts heat from soil or water below the frost line, discharging it throughout the house. Since the heat pump has to have a ground area of at least 100 x 30 feet for piping, or a deep well, its application will be mainly confined to rural and suburban regions.

Coal has only an indirect stake in the heat pump's pending popularity: to generate the electric power on which it functions.

More direct is coal's stake in (a) "push-button" boiler units for commercial heating and smaller industrial plants, and featuring automatic stoking, ash removal, return of cinders to the firebox to insure against even fractional waste; (b) campaigns to promote the idea of the heating "center" to cover an entire block of buildings, conserving on bin and other space, and reducing the number of furnace tenders from a dozen to one or two; (c) new types of stokers to cure tobacco, and dry hay, corn and other crops.

The \$15,000,000 a year that coal operators spend on all such research and product development activity is invaluablely supplemented by the \$7,600,000 the government annually allocates to the Bureau of Mines which has been in the vanguard of the movement to find commercially feasible techniques for converting coal into synthetic petroleum and natural gas.

In one demonstration plant, for example, the Bureau has turned out a "good quality" gasoline by means of a hydrogenation method costing from eight to ten cents a gallon, after making allowances for the sale of chemical by-products.

And quite as significant is the Bureau's experimental work in adapting the Fischer-Tropsch process (which provided 85 per cent of Nazi aviation gasoline) to the "gasifying" of coal by controlled burning right in the seam itself; this could

make possible the pipeline transmission of coal in liquid or vaporous forms directly from the shaft.

However, a synthetic fuels industry of the kind generally considered to be "inevitable" some 20 odd years hence will call for an investment of some \$19,500,000,000. If in this undertaking the coal business is to participate fully alongside of oil and chemical companies, it will have to go outside for much of its capital since its financial reserves are comparatively lean. Moreover, if by 1975 it is to be prepared to meet demand for some 1,000,000,000 tons a year, it will first have to lay out around \$8,000,000,000 to develop new capacity, \$300,000,000 of it to replace depleted mines.

The ability of coal to earn enough to put profits into expansion and new uses, and to attract the general investor, cannot be separated from our over-all energy requirements for national defense and the economy as a whole in the years ahead.

Our known and recoverable coal reserves, found in 31 states and Alaska, account for 90 per cent of our mineral fuel reservoir, and can last perhaps centuries. By contrast, the longevity of our other mineral fuel resources is regarded as limited to generations.

Coal holds its top position as the source of heat and energy in fields where coal is competitive. Coal's share last year was 42.2 per cent, compared with 24.8 per cent for petroleum products and 27.2 per cent for natural gas. Hydroelectric power accounts for the rest. These comparisons are obtained by reducing the sources to BTU content.

When we take 1950 as our base year, the most reliable estimates indicate that the total demand for mineral fuels may, in 1975, rise by 97 per cent; coal will go up 54 per cent.

Demand for rival fuels will rise even more — petroleum by 109 per cent, natural gas by 142 per cent. But at some point in the 1970's, the ever more prohibitive costs for the discovery and production of new deposits of oil and natural gas may signal an ever increasing dependence upon imports and synthetics.

**END**

# Here's the debate on U.S. SALES TAX

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Though dead for the present  
at the retail level, this  
type of levy, in other forms, is  
still being considered  
as it has been, off and on,  
for 90 years

By **ALAN L. OTTEN** and  
**CHARLES B. SEIB**

**"WHERE** are you going to get the money?"

That question was raised with plaintive regularity some years back by Rep. Robert F. Rich of Pennsylvania every time a new spending bill came up for consideration in the House. It became his trade-mark.

Mr. Rich has retired from politics, but his question still echoes through Washington as Congress and the administration search for additional revenue to balance the budget. And many a Republican heart is harrowed by one answer that comes floating back with increasing volume—a national sales tax.

Traditionally, it's considered political suicide to try to pass a broad new tax in an election year. Nonetheless, the sales tax is getting a lot of attention in official Washington as a candidate for passage in 1954.

Although President Eisenhower has ruled out a general sales tax at the retail level, the door remains wide open for the Treasury to recommend another form of general sales tax—a manufacturers' excise. This is still among the 40 possible revenue changes which Treasury Secretary Humphrey and his staff say they have under study.

In addition, Treasury and Congressional experts are seriously studying a plan to achieve a sales tax result without the controversial sales tax label. The idea would be to levy a long list of new individual "selective" excises. These new taxes, along with the excises already on the books, could amount to a general sales tax without passage of a clearly labeled sales tax bill.

Political hazards may force abandonment of these ideas just as politics played a leading role in forcing the President to disavow the general retail sales tax. Nevertheless, the sales tax idea is getting the most serious consideration it has received in the past 20 years.

The main reason is that the administration finds a balanced budget still a long way off. Spending, though cut, is still outrunning revenue. Early in 1954, taxes that now bring in \$8,000,000,000 a year go off the books automatically.

What's more, both the administration and Congress are committed to additional tax cuts that could cost another one or two billion dollars. A sales tax is regarded as the unused revenue raiser that would bring in needed money.

Those close to the administration maintain there is little doubt the Treasury would like to ask Congress to enact a sales tax. Capitol Hill observers say there is equally little doubt that most Republican congressmen hope Secretary Humphrey won't make the request and many, including House Ways and Means Committee Chairman Dan Reed, have already announced their intention to make an active fight against it.

At this point, only two predictions can safely be made:

1. Politics will figure strongly in the final decision. The Treasury and Congress must weigh the political assets that would emerge from enactment of a national sales tax—a balanced budget and possible cuts in other taxes—against the reputed political curse of sales tax sponsorship. If G.O.P. leaders decide the gamble is a good one, they'll drive to put the tax through. If they decide it would be riskier politically to back a sales tax than to forego a balanced budget or other tax cuts, the sales tax is out for the time being.

2. If the White House recommends a sales tax, it will touch off one of the bitterest fights in Congress in many years. Backing the tax are many business groups which argue that this revenue would permit reductions in incentive-killing high income tax rates and correction of discrimination in the present excise tax setup. Labor and

(Continued on page 100)

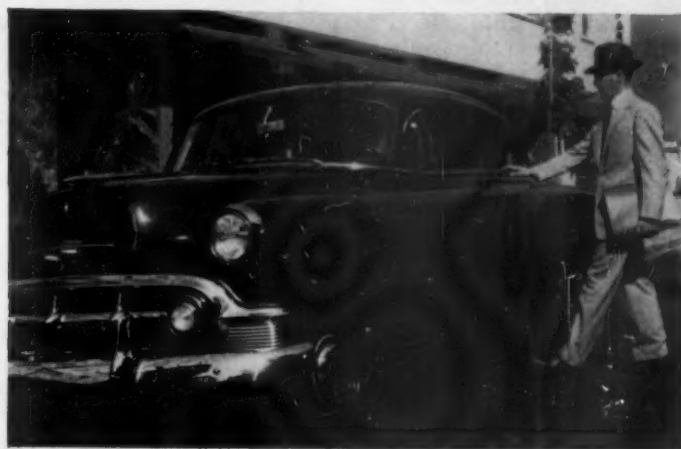




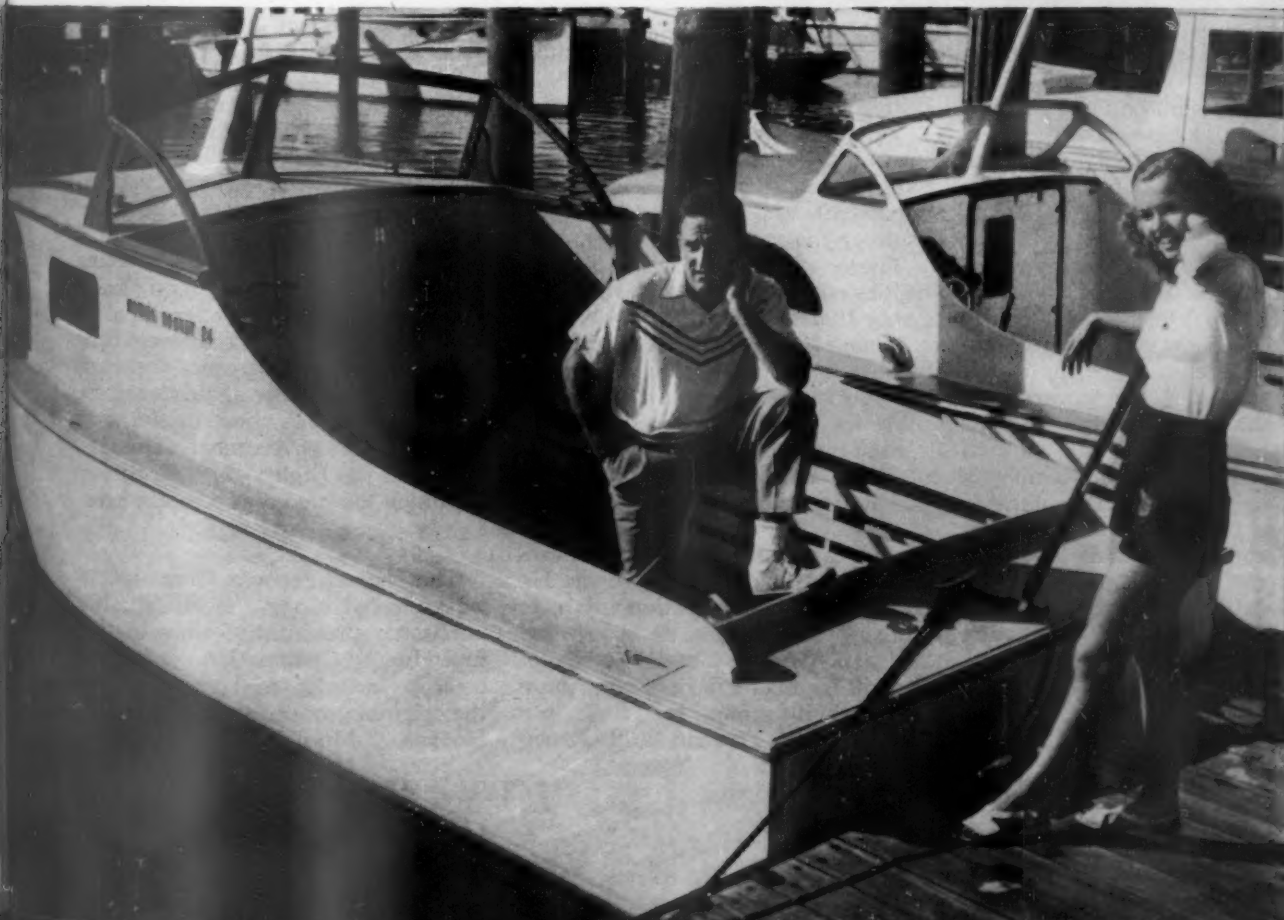
EDWARD BURKS

The present excises,  
aimed at "luxuries," have  
brought absurdities that some  
say a sales tax could end

*The joke is on the girl on the left. Her \$200 coat was taxed 20 per cent because it is fur. Her companion paid no tax on her \$300 coat. Cloth coats aren't "luxuries"*



*The salesman paid a 20 per cent "luxury" tax on the automobile he needs to make calls on his customers. But the young man below paid no tax on his cruiser*



## WE'RE FINDING

**T**HE Eighty-third Congress has quietly commissioned two groups of citizens to knock the stuffings out of big government. The two independent boards have been specifically instructed to devise ways to reduce the overgrown size, the exorbitant cost, and the dominating influence of the executive branch of the United States Government.

The two citizen groups are patterned after the Hoover Commission, which during 1947-49 conducted the most exhaustive study of the federal government ever made—and the most successful. Congress, the White House, and the federal administrators put into effect, wholly or partially, two thirds of the Hoover Commission's 300 recommendations for streamlining governmental procedures and operations.

The Hoover Commission, however, was limited in objective. It was authorized, in the name of efficiency and economy, to recommend changes in functions, but not in policy. Thus, the Hoover Commission could recommend the best way to perform a government operation but it was barred from suggesting that the government would be better off by eliminating the operation.

The two new commissions have broader, more far-reaching authority.

The Commission on Organization of the Executive Branch of the Government—headed, like its predecessor, by former President Hoover—is empowered to deal with policy as well as with procedure.

The Commission on Intergovernmental Relations—headed by Clarence E. Manion, former dean of the Notre Dame Law School—will explore the increasingly complicated relations between big government and the state and local governments. This commission also will seek to determine the federal government's rightful, or constitutional, place in relation to the rights and powers of the 48 states and their counties, cities, towns, and villages.

Limited though it was in scope, the 12-member Hoover Commission made a tremendous contribution toward good government. The commission put to work some 300 citizen-experts, organized into task

forces, each of which was given general guide lines and then launched on its own separate investigation.

For example, the Task Force on the National Security Organization included 14 citizens headed by Ferdinand Eberstadt, former vice chairman of the War Production Board. This task force called upon the advice of military experts, including Gen. Dwight D. Eisenhower, hired its own staff of technicians, heard 245 witnesses, and prepared a four-volume report.

The final Hoover reports—19 by the commission, 24 by its task forces—covered some 5,000,000 words of testimony. Among the shocking revelations were these:

The federal government spent more than \$500,000 in an effort to fire one employee.

It required \$10 worth of clerical effort for the government to buy a 50-cent typewriter ribbon.

The books of the post office system were maintained by another agency—in Asheville, N. C.

The Army tore down a camp in Alaska which had cost \$16,000,000. The lumber was shipped to Seattle, where it was taken over by the Interior Department and reshipped to a point in Alaska only ten miles from the Army camp site.

Agreement by military services on underwear specifications alone would save the government \$7,000,000 a year.

Veterans Administration was taking four times as long as private companies to pay insurance claims to dependents and was using five times as much manpower per policy.

There were more federal labor activities outside of the Department of Labor than in it.

Some 12,000 federal employees were administering the affairs of 393,000 Indians, or one federal employee for each 32 Indians.

First major accomplishment of the original Hoover Commission was the passage of the Reorganization Act of 1949. This law empowers the President to take the initiative in reorganizing the executive branch. He submits a reorganization plan to Congress, and unless it is rejected within 60 days by a majority vote of the full membership of either House or Senate it becomes law.

Presidents Truman and Eisen-

hower have submitted 50 reorganization plans to Congress. Thirty-nine have been put into operation.

Other accomplishments include:

The setting up of General Services Administration to centralize purchasing of government supplies, management of buildings, management of records, resulting in an annual savings of \$100,000,000.

Giving the Post Office Department control of its own accounting books.

Reorganizing our overseas operations to permit the State Department to concentrate on policy, other agencies to carry out aid and informational activities.

Revision of budgetary practice, including placing control of the military budget in the hands of the Secretary of Defense.

Building up the importance and prestige of the Labor Department by transferring to it the unemployment compensation, job placement and veterans' employment placement services.

Raising the status of the Federal Security Agency to cabinet level—now the Department of Health, Education, and Welfare.

Besides improving government's functioning, the Hoover Commission recommendations brought operational savings, according to some expert estimates, of around \$2,000,000,000 a year.

The Hoover Commission accomplished all this—after eight previous similar efforts had failed—because of its impact on the public. In 1949, a National Citizens Committee for the Hoover Report was set up to push for fulfillment of the commission's proposals. The Korean war, defense rearmament, and foreign aid tended to obscure the results of Hoover Commission reforms. But once the Korean emergency had been met, the public again began to clamor for a reduction in the size and cost of big government. This demand led the Eighty-third Congress to launch the successor commissions.

The second Hoover Commission was selected along the strictly bipartisan representative lines of the first Hoover Commission. Its membership includes four members of the original group: former President Hoover, Mobilization Director



# OUT IF GOVERNMENT'S TOO BIG

Arthur S. Flemming, Sen. John McClellan of Arkansas, and Rep. Clarence J. Brown of Ohio, who, incidentally, was a co-author of the bills which created both commissions. A fifth member of the new team is Sidney A. Mitchell, New York banker, executive director of the first Hoover Commission who later served as chairman of the Citizens Committee.

Associated with these five are: James A. Farley, former chairman of the Democratic National Committee; Attorney General Herbert Brownell; Sen. Homer Ferguson of Michigan; Dean Solomon C. Hollister, Cornell University Civil Engineering School; Dean Robert G. Storey of Southern Methodist University Law School; Rep. Chet Holifield of California; Joseph P. Kennedy, former ambassador to Great Britain.

The new commission, like the old, is employing task forces of experts to cover government policy as well as procedure. The commission has until May 31, 1955, for its final report.

On his seventy-ninth birthday—soon after his appointment to the new commission—Mr. Hoover outlined its general course of action:

"... The over-all picture is that during the past 20 years the federal government has expanded from about 400 different agencies to more than 1,500 and from about 600,000 employees to more than 2,400,000. Expenditures have grown from about \$4,000,000,000 annually to more than \$70,000,000,000 annually.

"I hope that the new commission can contribute something to lessen what President Eisenhower has aptly described as 'our staggering economic burdens,' will strengthen private enterprise, reduce the burdens of taxation, lessen bureaucratic tyranny over our citizens, and generally improve the efficiency of our government."

Chairman Hoover and other members of the commission are known to be concerned over the federal government's widespread business operations, some monopolistic, some competitive with private industry and commerce.

The former President has also urged investigation of all forms of federal aid to the aged in order to make the assistance more just and

effective, simplify operations, and eliminate administrative duplications with the states.

Among other areas suggested for commission study are: Veterans Administration and veterans' benefits; federal lending, guaranteeing and insurance operations; federal personnel management; the Defense Department reorganization; farm conservation payments program, rural electrification, another look at overseas activities of the United States; federal land management and payments in lieu of taxes; water resources development; transportation regulatory agencies; social security and related programs.

It is apparent that, in some fields, the probing of the two new commissions will overlap. However, liaison will hold overlapping to a minimum; both commissions have great areas to cover.

President Eisenhower gave impetus to the formation of the Commission on Intergovernmental Relations, or the Manion Commission. After meeting with heads of states and local governments, he sent a special message to Congress last March. In it he called for creation of the commission as a move toward guarding and defending "our social rights ... a most important part of our heritage."

"The present division of activities between federal and state governments, including their local subdivisions, is the product of more than a century and a half of piecemeal and often haphazard growth. This growth in recent decades has proceeded at a speed defying order and efficiency. One program after another has been launched to meet emergencies and expanding public needs. Time has rarely been taken for thoughtful attention to the effects of these actions on the basic structure of our federal-state system of government."

The Manion Commission is made up of 25 members, chosen—as in the case of the new Hoover Commission—by the President, Vice President, and Speaker of the House.

Chairman Manion's associates include:

John E. Burton of the New York State Power Authority; Alice K. Leopold, Connecticut Secretary of State; Lawrence A. Appley, president, American Management Asso-

ciation; William Anderson, political science professor, University of Minnesota; former Gov. Sam H. Jones of Louisiana; Mayor Charles Henderson, Youngstown, Ohio; Chancellor Clark Kerr, University of California; Gov. Allan Shivers, Texas; Gov. John S. Battle, Virginia; Gov. Alfred E. Driscoll, New Jersey; Gov. Dan Thornton, Colorado; Undersecretary of Treasury Marion B. Folsom; Secretary of Health, Education, and Welfare Oveta Culp Hobby; Civil Defense Administrator Val Peterson.

Also, Senators Robert C. Hendrickson, New Jersey; Andrew F. Schoeppel, Kansas; Guy Cordon, Oregon; Clyde R. Hoey, North Carolina; Hubert H. Humphrey, Minnesota; and Representatives Noah M. Mason, Illinois; James I. Dolliver, Iowa; Harold C. Ostertag, New York; John D. Dingell, Michigan; and Brooks Hays, Arkansas.

Major fields of exploration for this commission are the federal grants-in-aid programs, some 30 of them, requiring an outlay of nearly \$3,000,000,000 a year. These grants—covering phases of health, education, social security, agriculture, forestry, roads, wildlife restoration, unemployment compensation, vocational rehabilitation, water pollution, etc.—have had a tremendous effect on state and local governments.

The Manion Commission—due to report to the President next March 1—is certain to go into the problems of overlapping federal, state and local taxes; the demands for local service and expenditures growing out of federal defense and other programs; the competition for high grade personnel among the governmental units; the impact of federal standards and personnel on state and local affairs, airport construction and operation, civil defense, highway construction, defense activities, hospital construction, housing, slum clearance and urban redevelopment, school lunch programs, and police functions.

The two commissions cannot make changes in government. They can only make recommendations. Nonetheless, the climate of public opinion indicates that big government is in for a reduction in size and cost.—SAM STAVISKY

**END**

# WE'RE BLOCKADING OURSELVES

*Free world criticism of our trade policies is growing daily. We have erected too many stop signs, other nations maintain, to healthy international commerce*

By **EDWARD B. LOCKETT**

**T**HE world doesn't like the way we do business. And the world is letting us know it.

Most of the democracies, including Canada, Great Britain, France, Italy, Holland, the Scandinavian countries, Greece and Turkey—not to mention governments in South America and the Far East—have formally protested the barricades which prevent foreign competition in the rich American market.

A little more than a year ago Joe Stalin predicted that world trade collapse, not a communist war, would win global conquest for his side.

Noncommunist governments, he prophesied, would erect such formidable barriers against international commerce that trade between free nations would wither and die. At that point, he concluded, world leadership would fall into the communist lap.

Today, practically the entire free world agrees that our trade policies are proving Joe was right.

Consider this diplomatic note from Italy, which like most others began by complimenting the United States for its basically liberal trade leadership embodied in the Reciprocal Trade Agreements program:

"There have been indications in recent months that, while the American Government continued to be fully committed to the principle of trade liberalization, renewed recourse is being made to restrictive practices, and that the inconsistencies between principle and practice, far from disappearing, are once more increasing. Should this new trend continue unchecked, a very serious situation would result."

Stripped of its polite diplomacy of phrase this means that, unless U. S. trade gates open wider, the outside world must buy less from America.

Government leaders long ago ceased to question the sincerity of these foreign protests. There is no doubt, either, that U. S. customers abroad will cut down their buying in America if they can't sell here, too.

The plain fact is, a critical world trade emergency has arrived, and the United States is being blamed for creating it. A study of foreign balance sheets clearly demonstrates the cold facts:

U. S. customers across the seas simply don't have the dollars to buy the American goods they want and need—and which the U. S. must sell if its economy is to function at anything like today's high levels. The only way our foreign friends can get dollars with which to buy American goods is to sell their own goods in the American market. But faced with high U. S. tariffs in some cases, special laws barring foreign competition in others, and mountains of tariff law red tape, they can't do that.

For a nation whose farmers sold abroad nearly half their wheat, 38 per cent of their cotton, more than a fourth of the tobacco crop and well over half of all their rice in the 1951-52 crop year—and whose manufacturers exported in 1952 nearly \$11,500,000,000 of their products—this state of affairs is disquieting.

Twenty-five per cent of all U. S. manufactured textile machinery is sold in foreign countries. Twenty-one per cent of the U. S. tractor output is marketed outside America. Forty per cent of the movie indus-

try's film rental revenue is drawn from abroad.

Between seven and nine per cent of the total production of movable goods in the United States has been exported since 1947, and the U. S. economy is now acclimated to this volume of foreign sales. With foreign aid on the downgrade—Marshall Plan and Mutual Security funds have paid the bill for a considerable portion of exports since 1947—with postwar consumer demand slackening, and with prospects moderately good for a reduction in defense spending, unsubsidized foreign trade could easily represent the difference between economic leveling off, and recession or depression.

Official U. S. reaction to these facts varies considerably, and a good many Republicans in Congress irritably question foreign claims that America is causing the trouble. Nevertheless, the most important Republican leaders—including President Eisenhower—realistically agree that the U. S. must act to prevent world markets from drying up.

Fundamentally, the question is not whether to help—or not to help—friendly democracies build up their economies by selling more products in the United States. That factor is incidental. The heart of the whole issue is healthy world trade, and its direct relation to American prosperity. Here, the equation is again simple, if bleak:

If world trade is healthy, America can continue to function as a high production, high employment, high living standards nation. If world trade shrivels below the health level, the American economy—all of it—will suffer. Production, employment



and living standards will go down. And world trade cannot stay healthy if foreign producers are unable to sell in the United States.

The foreign objections to U. S. edging trade doors shut are not new. They have been coming in at the State Department for two years. But a sharp upward spurt in their volume this year, capped by the vigorous protests from Canada—this country's best export customer and biggest source of foreign imports—spread the trade crisis alarm into the highest quarters of government.

U. S.-Canadian trade is not an asset to be lightly jeopardized. It totaled \$5,312,000,000 in 1952—approximately a fifth of all U. S. exports and imports. Furthermore, and contrary to a widely held notion, the advantages lie distinctly with the United States.

The Canadians last year spent \$629,000,000 more for American imports than Uncle Sam bought from Canada. On top of that, Canadian tourists vacationing in the United

States gave out with about \$34,000,000 more than visiting Americans spent in Canada. The United States sold Canadians \$381,000,000 worth of agricultural products alone in 1952—a figure \$33,000,000 above the total of U. S. farm product imports from its neighbor to the north.

Canadian imports of U. S.-grown cotton are running more than \$100,000,000 a year. An important proportion of the enormous American citrus fruit crop goes annually to the Canadian market. Canada's imports of manufactured products from the United States are nearly a third of the entire Canadian domestic manufacturing output, although Canadian manufacturers are able to market only one per cent of their total wares in the States.

Canada has traditionally bought more from the United States than she sold here, of course, but as long as the British pound was convertible, the heavy Canadian trade balance with Great Britain and the United Kingdom countries made up the dif-

ference. Today, with the pound sterling nonconvertible, Canada can pay for goods bought here only with American dollars.

In view of these conditions, Canadian business leaders and Dominion government officials are justifiably appalled at the U. S.-Canadian trade imbalance, and have not hesitated to let the United States know it. At the joint meeting of the U. S. and Canadian Chambers of Commerce in Montreal, for example, C. Bruce Hill, president of the St. Catherine's Tool Company in Ontario, and past president of the Canadian Chamber, summed up the facts and warned:

"It is obvious that this situation must be rectified."

American industrialists at the meeting agreed with him.

Bridgeport Brass Company president, Herman W. Steinkraus, in an address, gave his own conclusions:

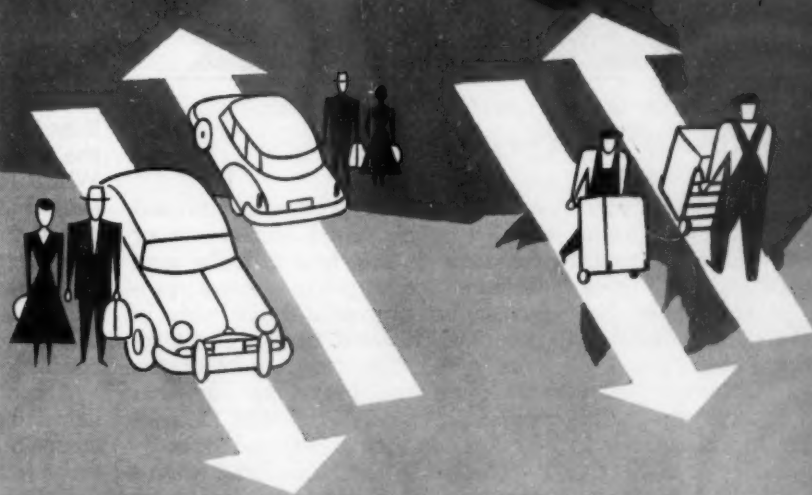
"In some way or other, the multi-lateral flow of goods in the free world must be restored. Unless the foreign commerce of the United States be-

### *Canada illustrates our lack of trade balance*

Last year, American tourists spent \$34,000,000 **LESS** in Canada than Canadian tourists spent in the United States

Last year, Canada spent \$629,000,000 **MORE** for American products than the United States spent for Canadian products

CHARLES DUNN



gins to flow evenly in both directions, our international trade will soon be a dead end street.

"For many years it has been accepted that a favorable balance of trade resulted from a country's exporting more than it imported, and that an unfavorable balance was the reverse. But we are now beginning to realize that any imbalance of trade is unfavorable in the long run. The only truly 'favorable' balance of trade is a real balance, in which the total export of goods and services and total imports are equal."

However, dismantling U. S. trade barriers is not easy. Obstructions to the flow of world trade reared over recent years do not show up in the form of high tariff walls. Contrariwise, the visible face of American world trade policy presents a deceptive array of very liberal concessions, embodied in the Reciprocal Trade Agreements program, a number of bilateral agreements, and the General Agreement of Tariffs and Trade, familiar the world over as GATT.

Unfortunately, this apparent liberality screens a multitude of trade snags. A protesting Canadian de-

2. The "Buy American Act," which, in effect, leads to the imposition of a minimum 25 per cent penalty on all foreign bidders for U. S. Government contracts.

3. A sizable collection of outmoded and cumbersome tariff law provisions which hamper the flow of world trade.

Some interpretations of the Trade Agreements program can convert liberal agreements into a wholly false front should the U. S. Tariff Commission and the President feel so disposed. They permit voiding any tariff concession if it injures or threatens injury to domestic producers of similar goods.

A number of Trade Agreements concessions have been withdrawn or modified. High tariff walls were thus restored against hatters' fur, felt hats, and figs. Only presidential action averted revocation of trade agreement tariff benefits accorded the world's jeweled watchmakers, and growers of garlic abroad. The Tariff Commission had recommended these benefits be withdrawn.

The AAA amendment, under which import quotas may be placed

port. This statute provides basically that government agencies in all procurement shall give preference to U. S. materials and manufactured products.

Two important exceptions were written into the Act. One authorized agency heads to buy foreign goods if domestic products were available only at "unreasonable cost." The other permitted foreign buying if domestic purchase seemed inconsistent with public interest. But domestic producers have taken an adamant stand that the law compelled home purchases no matter how cheaply the wanted goods were offered abroad. In large measure they have made this standard stick.

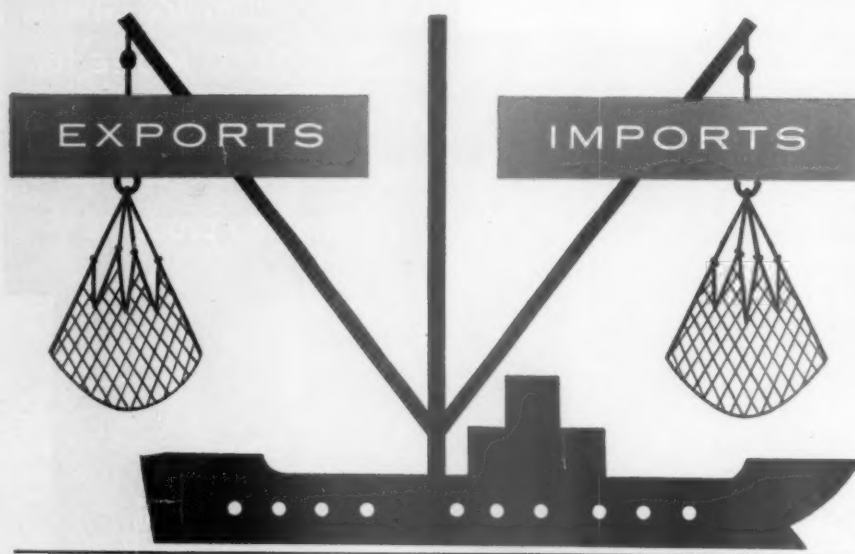
The case against out-of-date U. S. tariff laws is one which U. S. Customs Bureau men—who must administer them—readily admit. Classification rules, which determine the rate of duty to be paid, are so complex that some groups of similar products can fit into any one of 12 different formulas. Value appraisal—which fixes the amount of duty—is subject to at least five procedures. These and other red-tape-producing regulations have clogged the United States Court of Customs with more than 80,000 appeals from Customs Bureau rulings. The Court has some 60,000 valuation appeals waiting action.

The Eisenhower forces made a valiant effort to eliminate some of the difficulties involved in the customs laws, and pushed a simplification bill through Congress just before adjournment, but the legislation was badly emasculated before passage. Provisions which would simplify the valuation procedure were left out, so must wait until next year for final action.

Liberal trade advocates did win two victories in the congressional session which ended in August. President Eisenhower succeeded in having the Reciprocal Trade Agreements law extended another year, while a special commission was established for comprehensive review of the entire foreign trade situation. White House supporters, with considerable Democratic help, beat off efforts to pass legislation further restricting imports. These successes, however, by no means put at rest fears of foreign governments that U. S. world trade restrictions would continue to increase.

Actually, the debate in these 1953 skirmishes simply postponed a bitter struggle over tariffs which is bound to be fought next year.

On the outcome of this battle may depend the future success—or failure—of trade between the free nations of the world. **END**



*A balance of imports and exports is the healthiest trade condition for us and for the rest of the world*

finer American policy in this way:

"You Americans have built some wonderful highways of world trade, like the Reciprocal Trade Agreements program, Most Favored Nation policies, and others. Trouble is, you put in too many stop signs."

Examination of U. S. trade policy over-all clearly exposes the trade snags or stop signs to which the outside world objects:

1. An Agricultural Adjustment Act amendment, under which imports may be limited in quantity or even blocked out altogether.

on agricultural products, fats and oils, if their entry interferes or threatens to interfere with the government crop price control programs, has proved a major snag in the flow of world trade. Until recently this law, Section 22 of the AAA, was reinforced by an even stiffer provision of the 1951 Defense Production Act.

The "Buy American Act," originally adopted during the depression of the '30's, has been the target of foreign complaints for years, and never attracted really national sup-



# TRIAL EXAMINERS' IMPACT ON BUSINESS GROWS

ALBERT WATSON hates to fly between Syracuse, N. Y., and Richmond, Va., a trip he has to make often in the course of business. There is no way he can do it directly. He must take at least two planes, and the chances are they will be operated by different lines.

Whether Mr. Watson and thousands of other people in middle-sized cities in the East should be served by one-plane flights or at least one-airline flights up and down the coast was a question to which the Civil Aeronautics Board sought an answer recently.

After 42 days of testimony and some 70,000 pages of record, Hearing Examiner Edward T. Stodola of the CAB decided in a 37,000-word opinion that it should be made easier for Mr. Watson and the others.

The way to do it, Mr. Stodola said, would be for Colonial Airlines to merge with Eastern or National Airlines.

Who is Mr. Stodola to decide what is good for three big airlines and thousands of air travelers? He is one of 300 judges without robes who are exerting an incalculable influence on the course of American business. They are the federal government's hearing examiners, whose work in the busy field of administrative law touches millions of lives and billions of dollars.

Take labor relations: A violation of the Taft-Hartley Act claimed by management or labor at almost any plant might call for a hearing examiner from the National Labor Relations Board to listen to both sides and advise the Board what to do. In the case of two groups contesting for the right to establish the first television station in a city, a Federal Communications Commission examiner would size up the problem. His decision would be likely to stick.

These examiners exist, as do the agencies for which they work, because Congress and the courts cannot solve all the problems of our busy nation. When Congress establishes a policy in an area like civil aeronautics or interstate commerce, it sets up a commission or board to carry out the policy and settle disputes arising under it. The system of hearing examiners is to help carry the load.

Twenty agencies have such examiners. The examiner corps numbers fewer than ten in most of them, but five agencies have sizable groups. These range from 14 in the Coast Guard to 114 in the Interstate Commerce Commission.

Examiners are appointed by the employing agency and receive from \$5,940 to \$11,800 a year, with most of them getting about \$9,000. They have what is in effect a lifetime job and promotion is entirely up to the Civil Service Commission.

Most examiners are lawyers. Generally they arrive at their posts at about the age of 50, after experience with state regulatory agencies or the federal government or both.

Boiled down, the qualifications for an examiner are at least six years' experience in law practice or appropriate technical work; a broad knowledge of the "technical, legal and economic factors" likely to be encountered; "ability to analyze and decide issues of fact and law" involving those factors; "ability to conduct hearings in a dignified, orderly and impartial manner," and

also a flair for writing "clear and concise" opinions.

Currently, there is a move afoot in the Senate to make examiners "administrative judges," appointed by the President with Senate confirmation, like judges, and paid \$14,000 a year with life tenure. A bill that would accomplish this has been introduced by Sen. Pat McCarran, Democrat of Nevada, who was a prime mover of the 1946 Administrative Procedure Act that established the present examiner system. He has indicated displeasure with the way the Civil Service Commission and the courts have interpreted the Act.

Mr. Stodola of the CAB is a good example of how an examiner operates. He takes on about six cases a year. A typical one, although it may be active off and on for as long as two years, occupies about two months of his full-time attention. Hearings, which correspond to a trial in court, take several weeks. The record of a case usually runs more than 10,000 pages.

The impact of an examiner's decision ranges from small to terrific. If the case is trivial, or if the examiner is reversed, the impact is small. But an examiner's decision can be of far-reaching influence in, say, a railroad rate revision before the ICC; an airline merger before the CAB; a power development project before the FPC.

Nobody has kept count of how often examiners are upheld by the agencies, but educated guesses put it at about 70 per cent. Federal courts have been giving more and more weight to examiners' decisions, and this has increased the impact of their work. It is not uncommon for a court to uphold an examiner's opinion over the agency's reversal of it.

One might think the examiners would be ripe subjects for pressure. The best evidence is that if they are, they don't succumb to it. According to the Civil Service Commission, outsiders who have dealt with examiners say the examiners on the whole maintain impartiality and dignity.

The setup appears to be fundamentally satisfactory to the examiners, too, although they did go to court unsuccessfully over some of the ground rules laid down by the Civil Service Commission.

All is not perfection in the examiner system, however. Some of the parties to litigation before examiners have been grumbling that the hearings are too long and tedious, thereby causing delay and expense.

The Judicial Conference of the United States looked into this complaint and reported some justification for it. The late Chief Justice Fred M. Vinson brought this report to the attention of President Eisenhower, suggesting action. The President called in Judge E. Barrett Prettyman of the United States Court of Appeals and installed him as chairman of the President's Conference on Administrative Procedure. Since then, each federal agency involved has contributed a representative to the conference.

The conference is at work now to see how hearings can be speeded up and expenses cut down.

The Supreme Court noted in a recent decision that the role of examiners has become "increasingly significant" under "the rapid growth of administrative law in the last few decades."—JAMES T. ROGERS **END**



# Hawaii leaves no soil untuned

HAWAIIAN PINEAPPLE CO.

**O**NE of the odd sights of Honolulu is a miniature cane field growing in the heart of the city. A network of scaffolding winds through the waving cane tassels. Many mornings, long before dawn, men can be seen working under floodlights on these catwalks, pollinating thousands of crosses between the strains of sugar cane.

These dawn workers somehow symbolize Hawaiian agriculture. In few places would an organization of farmers think of maintaining an experiment station on valuable downtown property. In Hawaii, where farming is as scientific and efficient as anywhere, that block of cane is probably the most productive chunk of land in town.

If the hybridizers on the catwalks do their work well, and are lucky, they may produce out of many thousands of crosses one or two new strains that will yield an extra ton or two of sugar per acre, maybe by 1965. One extra ton per acre would mean \$10,000,000 a year additional revenue at little increased cost.

Hawaii's agricultural magicians have to get more from their acres. In all of the seven islands there are only 600 square miles of top quality

farm lands suitable for cane and pineapple. Yet the land yielded so prodigiously last year—\$221,750,000 worth of sugar and pineapple products—that it was the main support, directly and indirectly, of 477,000 islanders, a population greater than that of either Delaware, Nevada, Vermont, or Wyoming.

Visitors, marveling at the high standard of living in the teeming Hawaiian Islands, ask, "How do they do it?"

"What we're doing is manufacturing starch and sugar from the sunshine and turning it into commercial products," is the answer given by a research scientist employed by one of the big pineapple companies.

The Hawaiian Islands have a lot of sun and the growers have learned many tricks about turning the sunshine into products, tricks that farmers elsewhere are copying. Some of these schemes for tricking nature into yielding more are sheer agricultural wizardry.

Let's look at some of this gee whizz farming. Long ago the smaller farms were merged into larger operations called plantations. Where the little growers barely eked out or went broke, they now can afford the high

costs of intensive agriculture—special fertilizers, expensive machinery, research, processing and higher wages.

In some cases the big plantations were started by farming companies. Ewa Plantation, on the island of Oahu, is an example. The Ewa stockholders poured more than \$1,000,000 into a barren desert, sinking wells and planting cane, before they harvested a single ton of sugar. Today Ewa, with a yield of 13.89 tons of sugar per acre, is one of the most efficient producers in the islands.

The extraordinary pineapple plantation on Lanai, the Pineapple Isle, is another example. Here the Hawaiian Pineapple Company converted an unused island into a 14,000-acre plantation at a cost of \$5,100,000.

Even for companies that can afford expenditures like these, the cost of research to make the soil yield its maximum is staggering. So the 34 sugar plantations have pooled their problems and tossed them into the lap of the Hawaiian Sugar Planters Association, which they support jointly.

The HSPA spends more than \$1,000,000 a year on agricultural re-



Islanders get astonishing results by best use of what they have—sunshine, a little scattered land, and research

By **FRANK J. TAYLOR**

search. The eight pineapple companies have a Pineapple Research Institute, which budgets another \$1,000,000 a year to study ways of getting more from the same acreage. An independent group of free enterprisers, the Hawaiian growers prefer paying their own way to the mainland practice of depending on state colleges, supported by taxpayers, for agricultural research.

A good place to see how a top-flight sugar grower makes his acres yield is Waialua Plantation, across the island of Oahu from Honolulu. Waialua Agricultural Company is a \$10,000,000 investment of 2,927 shareholders, the largest of which is Castle & Cooke, Ltd., which owns 26 per cent of the shares. Manager John W. Anderson gets counsel not only from his own scientific experts and those of HSPA, but more from the Castle & Cooke staff, which serves two other plantations, Ewa and Kohala. Mr. Anderson makes good use of it all. A trip through the verdant 16-foot cane of the 9,737-acre plantation shows how he does it.

This season Mr. Anderson is in the middle of a revolutionary change-over in transportation. The Castle & Cooke engineers came up

PHOTO HAWAII



*When analysis shows what plants crave, chemicals go into the irrigation water that is distributed in portable concrete flumes*

*By-products of sugar mills and canneries help feed cattle which islanders raise on upland pastures unsuited for crops*



FRITZ HENLE



FRITZ HENLE

with figures proving that Waialua could no longer afford to haul cane from the fields to the mills over its picturesque narrow-gauge railroad, over which trains of Toonerville cane cars have been hauled by a fleet of six shrill-whistled steam engines. The old railroad had to go.

In its place Mr. Anderson started the 1953 harvesting season with eight specially designed trucks. Costing \$77,000 each, these behemoths have engines in both ends and carry 30 tons of cane per load, or the equivalent of five railway carloads.

More important, they carry the cane twice as fast and get it to the mills before the juice begins to dry.

Since juice is what yields the sugar, the Waialua management figures the trucks will pay for themselves within eight years.

The \$600,000 Waialua had to put down for the eight monsters was only the beginning. Accessories cost another \$250,000. These include heavy chain nets that rest in the beds under the cane. When the truck reaches the mill, an overhead lift grabs one end of the net and pulls it skyward. The 30 tons of cane spill in less than a minute onto the moving belt that feeds the raw crop into the sugar mill's maws. The investment includes a few spare eight-foot tires, which run \$5,130 apiece. The big tires are good for two years, after which they can be retreaded at a cost of \$1,250.

The major cost of the transportation switch-over is road building through the cane fields. This includes yanking up 55 miles of rails and building in their place some 30 miles of highway, heavily ballasted with rock, a \$1,500,000 investment.

"We'll pick up about 60 acres for cane planting in the change-over," said Mr. Anderson happily.

Mr. Anderson even saves the soil washed off the cane stocks in the mill and spreads it three feet deep over coral outcroppings on the plantation. He has made almost 100 acres of land this way.

He isn't worrying about the heavy investment to move his crop to the mills faster. Waialua's rival, Ewa Plantation, made the switch-over

two years ago and it is paying off. So have several other plantations on the dry or well drained parts of the islands. But those in areas too wet for heavy machinery are still having their troubles, now that the union scale has been hiked even higher than agricultural workers' wages on the mainland. At Waialua, the pay for field workers, lowest wage bracket on the plantation, jumped from 19 cents per hour in 1934 to 30.5 cents in 1941 and \$1.38 an hour last year.

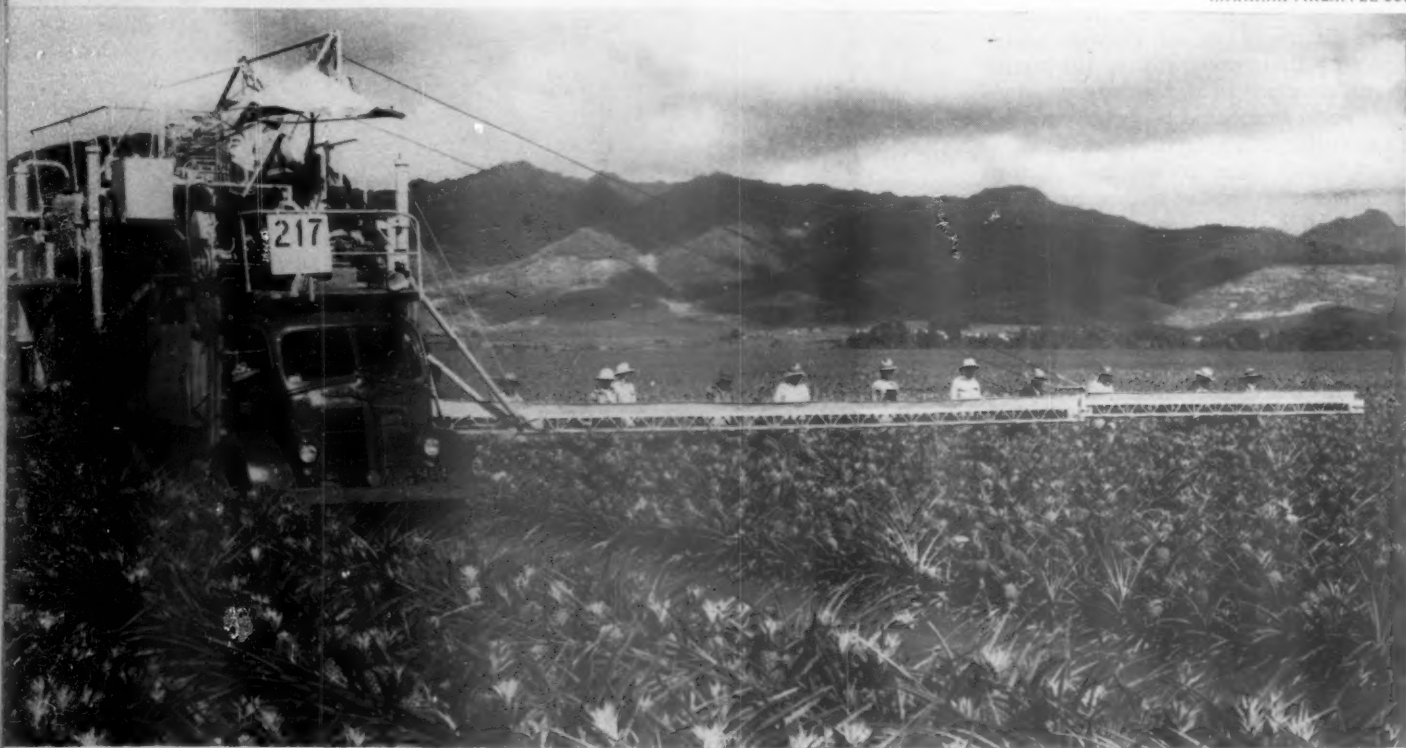
Luckily, modern equipment and sprays enable 900 men on the plantation to do more work than 2,000 used to turn in ten years ago. With huge power grabs, 60 men do the cutting and loading formerly done by 600 hand workers. Using "Waialua flume," a prefab lightweight concrete ditch cast in portable sections, one irrigator spreads 7,000,000 gallons of water daily, reducing the irrigation force from one man per ten acres to one man per 200 acres.

These are only mechanical examples of the tricks to Hawaii's farming.

The more fantastic agricultural wizardry lies in tricking the same plant into yielding more from the same acre. When the Waialua Plantation was organized in 1900, the 5.67 tons of sugar yield per acre was considered phenomenal. Last year the yield was 13.78 per acre. Yet Mr. Anderson and his predecessor, John Midkiff, now a consultant, are not satisfied. They want more per acre.

*Machines with long booms covering up to 20 rows help workers harvest pineapples*

HAWAIIAN PINEAPPLE CO.





How they will get it is something for the books.

Most farmers depend upon appearance of plants and upon past experience to tell them when their crops need feeding. Not Mr. Anderson. Every month his experts take sample leaves from cane in various fields and analyze them chemically. If leaf analysis shows the cane is hungry for nitrogen, for example, Mr. Anderson has his irrigators inject the nitrogen in the water. If it is potash or phosphate the cane plants crave, they get these or a combination of fertilizers in the irrigation waters. Within hours a new leaf analysis reveals that the shot has reached the sugar-manufacturing part of the plant, the cane stalk.

On some plantations growers spread fertilizer solutions by plane for a quick pickup. This is known as leaf feeding.

Hawaii's salubrious climate is paradise for bugs as well as for plants. Several times the sugar crop has appeared doomed by insects which, accidentally imported, increased as astronomically as the national debt.

Once a small grasshopper, known as the sugar cane hopper, cut sugar production on some plantations 90 per cent. Research scientists, fanning out over the tropical world, hunted down the hopper's natural enemy, a tiny wasp, and introduced it from Queensland.

Another time the menace was a  
(Continued on page 90)



PHOTO HAWAII

*Dense vegetation is cleared away to make room for macadamia trees. Into holes drilled in lava, topsoil is poured for root growth*

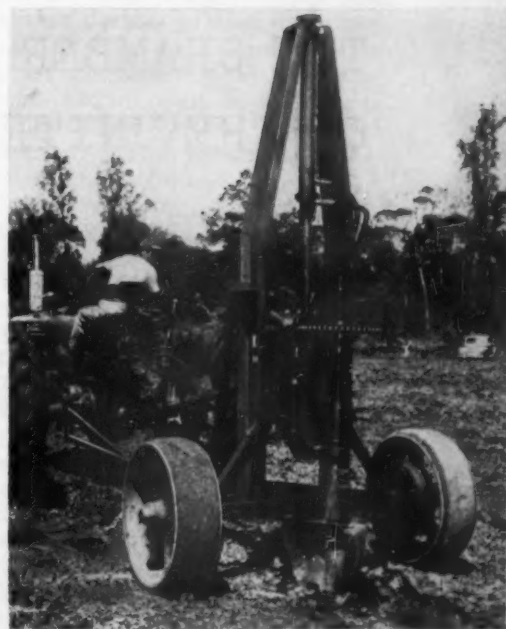


PHOTO HAWAII

*In all the seven islands there are only 600 square miles of top quality land suitable for crops*



FRITZ HENLE



FRITZ HENLE



## AN AUTHORITATIVE REPORT BY THE STAFF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

### AGRICULTURE

Prices farmers received dropped only one per cent between Aug. 15 and Sept. 15. Farmers actually got higher prices in September for milk, wheat, citrus fruit, tobacco, eggs and hogs, but lower prices for beef cattle, lambs, oil-bearing crops and truck crops in general more than offset these increases. The parity ratio remained at the August level of 92.

Farm prices have now dropped 11 per cent in the past year. Costs have not come down accordingly. While the farm cost index for farmers shows a reduction of three per cent from a year ago, much of this is due to lower costs of feed and livestock purchased by farmers. Most other expense items are as high or higher than a year ago. Taxes, for example, are up five per cent.

One estimate indicates that new farm income for 1953 may be as much as 18 per cent below 1952. Farmers' cash receipts thus far this year are running about six per cent below last year. Total farm output is estimated below 1952. Latest figures show a decline of 31 per cent in farm exports during the fiscal year.

### CONSTRUCTION

In connection with its annual survey to determine the relationship between building permits and actual starts, the Bureau of Labor Statistics will undertake to obtain construction information of special interest to pri-

vate organizations. Those desiring the information will pay to have their questions included in the survey.

The cost of adding a "yes or no" question on a single structural feature and providing simple totals is estimated at \$2,000. More elaborate data will add to the cost. In any event, any proposals will be explored and the approximate cost will be estimated in advance. If several requests for different types of information are received, the Bureau will try to incorporate them all in a single survey, the costs to be divided equitably among the purchasers.

The next Bureau survey will be made early in 1954. To be included in this survey, questions must be approved and arrangements for payment agreed upon before Jan. 1.

### CREDIT & FINANCE

When the final figures are in, the number of business failures this year will be a little higher than last year.

So far, failures have been averaging about 700 a month. The total for the year will probably be about 8,500, compared with last year's 7,600.

This will still be a good record, with fewer failures than in 1949 and 1950, and only slightly more than in 1951. Just before World War II the total reached more than 12,000 annually, on the basis of reports which were considerably less complete than those we have today.

# HOW'S

It should be remembered that more than 4,000,000 business firms are now operating in the United States. Failures with loss to creditors are only about one fifth of one per cent of this total each year.

About 30,000 firms go out of business each month, for various reasons. Outright failures with loss to creditors will account for less than three per cent of the firms which close down this year.

### DISTRIBUTION

Distribution may be entering a test period for certain rapidly growing developments of the past several years—shopping centers, supermarkets, self-service. Will these developments continue successful with the customer in the driver's seat?

Business is good, but national statistics on sales do not necessarily mean that all areas or individual stores prosper correspondingly. Business fatalities may be expected to increase with competition.

Buying power is high. Spending money is available. Who gets it depends largely upon who can control costs and work the market most effectively. Also this will depend more than ever on consumer preferences as to shopping convenience.

The merchant may find himself headed into a period when, to prosper, he must give increasing attention to these consumer preferences.

Increasing competition is bringing record-breaking expenditures for advertising and sales promotion. A recent Post Office ruling has given further impetus to the use of direct mail advertising. The ruling permits use of direct mail with no address except the letter carrier's route number.

### FOREIGN TRADE

Reports of trade between the free world and the Communist bloc generate a great deal of unwarranted heat. The reason, in the view of Harold Stassen, Director of Foreign operations, is misinformation.

"Many people feel that the United States and its allies should still follow the World War II policy of embargoing everything," he says.

Actually the major countries of the free world have for years con-



# BUSINESS? a look ahead

trolled the export of strategic materials.

As for non-strategic trading, the results, good or bad, depend on what is shipped, where and when it goes and what is received in return.

Western European countries trade mainly with the West but they receive coal, bread grains, feed and timber from Eastern Europe. They also need to sell in Eastern Europe commodities they cannot readily sell elsewhere.

Mr. Stassen sees no reason why people should be puzzled, dismayed or angry whenever they hear of a new trade agreement between a western European nation and a country in the Soviet bloc.

## GOVERNMENT SPENDING

Achievement of a balanced budget has not been made easier by the developments during the first quarter of the 1954 fiscal year.

Net receipts of the Treasury in the three-month period were a little less than receipts for the same period last year, partly because of the so called Mills Plan, which tends to concentrate corporate payments between January and June.

Meanwhile, government spending during the first quarter was about \$400,000,000 above last year. Increases were general among various major items—principally in such areas as national defense, foreign military assistance and other foreign aid.

However, we can expect to see more signs of a general tightening up in federal expenditures in the next few months. Pruning is already under way, because despite the various increases over last year, the expenditure total was actually \$300,000,000 below the estimate released last summer by the Bureau of the Budget.

The receipts picture should improve considerably after January.

## LABOR RELATIONS

The maneuvering on labor legislation which has been going on since the first of the year—and which the Durkin resignation brought into the open—continues.

Disagreement on this legislation is wide open, both within and without the administration and, for that

matter, in both political parties. It stems, in part, from a political theory on which officeholders are split. Some leaders in both parties think modifying the Taft-Hartley Act to please labor leaders will win votes. Others insist that there is no such thing as a labor vote anyway.

Experience in federal and state elections supports this view. Working people simply don't vote for a candidate merely because he agrees to give labor leaders everything they want. They recognize that in the long run, the broad public interest is for their good, too.

The labor law question may be critical for many years. It certainly can't be settled so long as petty political considerations control our attitude toward amendments.

## NATURAL RESOURCES

The lumber industry launched an industry-financed million-dollar research program some time ago. This program will give consumers new and better products, especially in the home-building field.

After the industry announced this program, the Special Antitrust Subcommittee of the House Judiciary Committee issued a report recommending that the Department of Agriculture formulate a program to encourage the integration of sawmill and pulpmill operations and to utilize all species in a stand of timber.

As usual, the wood-using industries are considerably ahead of the recommendations in the subcommittee report. Many new products utilizing materials formerly wasted have found a market. These products include hardboards, soil conditioners, fireplace logs, wood flour, hardwood pulps and a variety of insulation and construction panels.

Wood utilization programs are moving faster than was visualized even a few years ago. Progressively better management and more research will meet an increasing population's demand for wood products.

## TAXATION

Where is the Treasury going to look for new money next year?

The administration has promised that the excess profits tax will die, and that individual income taxes will

go down as scheduled next Jan. 1.

The corporate income tax is scheduled to drop April 1. There will probably be an effort to extend it at the present rate, but it almost certainly will not be increased.

Many of the discriminatory wartime excises are scheduled to go down at the same time, and the administration has agreed that some downward adjustments are needed.

The President has said that a national retail sales tax is out.

All of which means that if the Treasury decides to seek new revenues, the only well known source left is a broadening of manufacturers' excises—either a general manufacturers' sales tax, or a broad system of specific excise taxes—almost the same thing.

There are alternatives: Some new, untried type of tax like "value added"; no additional taxes but an increase in the national debt; or reductions in spending which would make new taxes unnecessary.

## TRANSPORTATION

The Post Office is issuing a special stamp commemorating the Fiftieth Anniversary of the trucking industry. The American Trucking Associations, the organization of the industry, is celebrating its Twentieth Year. In these 20 years, truck registrations in the U. S. have shot from 3,000,000 to 9,000,000 and traffic volume from 19,000,000,000 to 140,000,000,000 ton-miles.

Signs point to continued growth for some time, although the going will get rougher for a number of reasons: Roads are more crowded. Competition, already severe, will be keener. Regulations of truck leasing will tighten, although efforts to prevent this are gaining ground. Enforcement of federal safety regulations is inadequate. Finally, reciprocity agreements among the states on such things as vehicle size, weights and taxation may be weakened.

Significant changes in intercity trucking may occur if various transport equipment manufacturers, carriers and labor groups succeed in promoting large-scale movement of truck trailers on railroad cars. The resulting economies for both types of carriers could mean more peaceful truck-rail relations in the future.

# Talents built to order

*Your university can follow this pattern to get more young people to study for the kind of careers the country needs most*

By **GEORGE FIELDING ELIOT**



*A prospective freshman, Stanley Peterson, gets the standard letter urging all high school students to consider South Dakota*

*The next step is personal contact, made in this case by teacher Alphus Christensen at Stanley's home near Lily, S. D.*

AMERICA is challenged as never before to develop brain power for our complex economy of peace or world emergency. Too few colleges have heard—and too few have tried to meet—the warning of the National Manpower Council:

"Only a purposeful and sustained effort can insure that the United States will have adequate resources of scientific and professional manpower to meet its needs."

The plain fact is that the nation is failing to get a big enough annual crop of college freshmen into the categories of study that will provide manpower for the professions the country needs most.

In an era when both economic progress and military security depend on such items as atomic energy, electronics and jet propulsion, the United States can't win the cold war with too heavy a handicap in the number and quality of its engineers, physical scientists, pharmacists, nurses, teachers—or any one of several other essential professions.

But how do we get more of our able youth into colleges? How can we get them interested in careers the country needs most?

In America, the choice of a career, of an education, is an intensely personal one. It's also a matter of influence—by parents, teachers and friends. Too often the choice is weighted by chance, impulse, whim, the latest hot rumor about the glamorous possibilities of one line of work or another. Economic necessity plays its part. On top of all this, military service is something every boy must think about.







PHOTOS BY CARROLL SEBASTIAN—BLACK STAR

*On campus Stanley adjusts quickly to his new surroundings. Freshman enrolment was doubled by the school's "selling" campaign*

The question, then, is: Can these influences be organized to guide youth into anything resembling an orderly pattern adapted to the present and future needs of the nation?

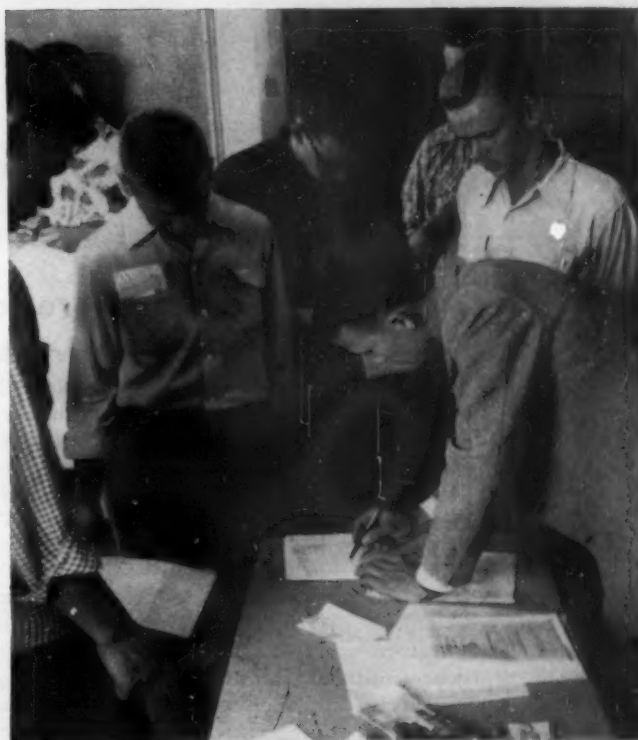
Human engineering is the term used to describe this function of higher education. A lot of thought is being given to it. All over the country, educators, industry, professional societies and government agencies are beginning to get their teeth into the problem. But so far there have been only beginnings.

In South Dakota, however, there has been accomplishment. South Dakota State College of Agriculture and Mechanic Arts, at Brookings, doubled its freshman enrolment in one year. Pres. John W. Headley expects to continue this astonishing record.

President Headley tells the story like this:

"It was really very simple," he says. "We started out in January of 1952 to get a bigger freshman class for the fall. That meant primarily selling more of the state's 6,400 high school seniors on the idea of going to college. Our committee on high school relations worked out a plan to make direct contact with every one of those seniors. We wanted to find out something about what each one wanted and hoped for and dreamed of. Then we could try to give those desires some sense of direction, some prospect of fulfillment—in terms of what State College could do for each youngster. So we tried our plan out, and it worked.

"The emphasis was on (Continued on page 48)



*Teachers and other students offer guidance to registering freshmen. Stanley, majoring in engineering, won a year's scholarship*

Why your own good judgment will tell you  
**It's better business to buy  
 Chevrolet trucks**



**You get more for your money in every way  
 with Chevrolet Advance-Design trucks**



What single quality do you consider first and foremost in selecting a truck? Is it economical power? Handling ease? Safety? Ruggedness? Over-all economy? Whatever it is, you'll find that Chevrolet trucks are your wisest choice.

Take economical power, for example. In heavy-duty Chevrolet trucks, the mighty Loadmaster engine brings you new high-compression power (7.1 to 1 ratio)—more horsepower—and an important increase in gasoline mileage. In light- and medium-duty models, Chevrolet's great Thriftmaster engine also offers outstanding economy.

Take handling ease. With such advanced features as ball gear steering and silent Synchro-Mesh transmissions, Chevrolet trucks reduce driver effort to a minimum.

Take safety. Both "Torque-Action" and "Twin-Action" brakes provide faster, smoother operation for quicker, surer stops with less pedal pressure.

As for ruggedness, Chevrolet trucks bring you heavier, sturdier construction for extra strength . . . extra truck life. And when it comes to over-all economy, the operating records of thousands of owners prove that you can't beat a Chevrolet truck to save your money!

Another fact you'll want to consider is that Chevrolet trucks—with all their advanced features and solid value—are *the lowest priced truck line of all!*

Small wonder that more buyers choose Chevrolet trucks than any other make. Why not get *all* the facts at your Chevrolet dealer's soon. . . Chevrolet Division of General Motors, Detroit 2, Michigan.

N  
 VALVE-IN-  
 your job—  
 Thriftmaster

HIGH-EFFIC  
 signed com  
 power from

POWER-JET  
 to meet ex  
 speed with







## No other truck at any price offers all these advance-design features

**VALVE-IN-HEAD ENGINE:** The right power for your job—plus economy in the Loadmaster or Thriftmaster engine.

**HIGH-EFFICIENCY COMBUSTION:** Specially designed combustion chamber squeezes all available power from fuel.

**POWER-JET CARBURETION:** Meters the flow of fuel to meet exact requirements of engine load and speed with 2-way controlled ignition.

**SPECIALIZED 4-WAY LUBRICATION:** Provides 4 special types of lubrication to lengthen engine life.

**SYNCHRO-MESH TRANSMISSION:** Quick, quiet, safe shifting—eliminates "double-clutching."

**HYPOID REAR AXLE:** Lowers tooth pressures, stronger tooth section gives extra durability.

**STRADDLE-MOUNTED PINION:** Maintains better gear alignment, better tooth contact on medium- and heavy-duty models.

**SPLINED AXLE-TO-HUB CONNECTION:** Driving splines mate directly with wheel hubs on heavy duty models. No bolts to loosen or permit oil leaks.

**BATTLESHIP CAB CONSTRUCTION:** Each cab is a husky double walled, all-welded steel unit of great strength and durability.

**UNIT-DESIGNED BODIES:** Floors, tops, sides built as separate matching units for greater strength and safety. Widest color choice at no extra cost.



## 12 Straight Years as First Choice of America's Truck Buyers

More buyers have chosen Chevrolet trucks than any other make—for 12 consecutive truck production years, including 1953 to date. That is in itself an amazing record and one which supplies the most convincing proof possible of Chevrolet's superior qualities and value.

# HOW TO GET **FAST ACTION**



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415 Lexington Ave., New York 17, N. Y.  
Without obligation, send booklet describing how Executone helps cut costs. I am particularly interested in:

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Address \_\_\_\_\_  
City \_\_\_\_\_

In Canada—331 Bartlett Ave., Toronto

(Continued from page 45)

engineering because our engineering enrolment was very low, while the demand for graduate engineers and the future need for them was high. Our engineering entries tripled.

"But we can play this game across the board. This year, for instance, there's a big demand for nurses. We've emphasized that with the girls, and our nursing enrolment has gone up tremendously.

"We can pinpoint small targets, too. For example, we found out through the State Bankers' Association that the banks of South Dakota are in pressing need of agricultural agents—graduates in agriculture with sufficient knowledge of prices, trends and demands to be able to advise the bank as to whether any particular farmer is able to carry the loan he is asking for and what the bank can do to help him. We've put in a course to provide for this need, opening up a career for youngsters.

"Put it this way," President Headley says. "It's our idea that the taxpayers of the state ought to get from the money which they pay for their state college a constant annual dividend of as many graduates as the facilities of the college can turn out—the kind of graduates that the state and the nation are going to need.

"The only way we could think of to get more students and get them in the right channels was to take the problem right to the individual prospects—the high school graduates. So that's what we've been doing, and so far they're going along with us just fine."

President Headley had done something of the same sort when he was president of the State Teachers' College at St. Cloud, Minn., and had made a thorough study of student recruitment programs the country over.

"I wasn't impressed," he says, "by the result of getting a lot of students together in a study hall and talking to them. They get bored. What I needed was individual salesmanship. So I got an appropriation of a little more than \$10,000 and went to work."

THE campaign got going early in January, 1952, with a personal letter from President Headley to each of 3,200 high school seniors. It said: "Generally, students who rank above average in high school will do well in college also, and we hope you are considering attending college. . . . Our guidance division will be glad to help. . . . We have information about colleges and courses in all parts of the country. You know, of course, that we will welcome you as a student here at State."

There were two enclosures. A

small folder told of the accomplishments of selected State College alumni and gave a few facts about the college itself. The other was a reply card on which to indicate if he or she was interested in going to college, to State College, and what courses were of special interest. The letters also offered to send the college paper, *The Collegian*, free for the rest of the year.

About 1,000 cards were returned out of the 3,200 sent.

The follow-ups went out promptly. Those who were interested in South Dakota State received letters from Registrar D. B. Doner, enclosing application blanks for school and room reservations. Heads of departments sent information about courses. Persons undecided about college (some 200) received letters from Dean R. Y. Chapman urging them to start college work in basic courses and to decide on special interests later.

IN February a letter went out to the top ten per cent of the high school seniors giving full details of every scholarship available in South Dakota, together with an application blank.

Late in February the specialized campaign for engineering students was launched with a letter from Dean Chapman to 300 high school principals and superintendents. Enclosed was a memorandum from Dean H. M. Crothers of the Division of Engineering telling about the shortage of engineers. Also sent was a scholarship application.

Meanwhile, persons who had returned cards were classified and a start was made toward gathering in their high school grades. To those who showed engineering aptitudes went an 18-page bulletin called "A Career in Engineering—Who Will Build Tomorrow?"

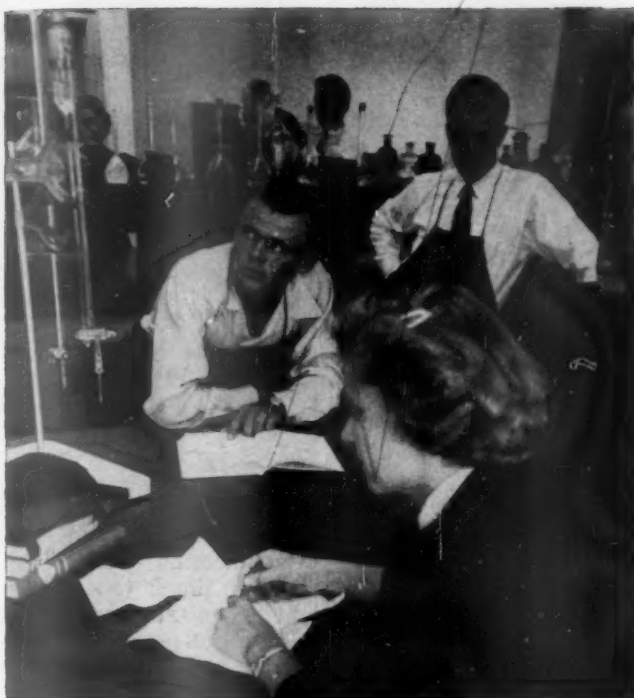
On March 1, follow-up letters were mailed to the 2,200 students who had not sent back the reply card from the original letter sent in January. Enclosed was another reply card, a folder "What Does It Take to Go to College?" and, for boys, a folder about the Army and Air Force Reserve Officers Training Corps units at State College.

Now the campaign began playing other angles. A letter from Alphas "Christy" Christensen, State College's veteran band leader, went to 386 senior members of high school bands.

"Of course you'll want to continue your band work with a good college band," the letter said.

Letters went also to 42 members of high school debating teams who came to a tournament at State College. Another letter to 155 return-





*In the chemistry laboratory, Stanley begins the courses which will lead to an engineering career*

ing National Guardsmen advised that a state law provided free tuition for them at State College.

In March another general letter went to 3,200 seniors not on the original list. Enclosures: "What Does It Take to Go to College?" and the regular reply card.

In March, too, the "College Day" projects began. In March and April many high schools in the state were visited by a team from State College—usually one faculty member and one carefully picked undergraduate, sometimes more. The team arrived equipped with a record of each student who had sent in a reply card. The teams talked with these youngsters individually, obtaining additional data and offering guidance. In this process the card files began to take shape as the upcoming freshman class.

Students below the senior class were also interviewed by the visiting teams—"a stockpile of future prospects," says President Headley.

Seniors who had been approached the year before and who hadn't shown up at State in the fall—some 900 of them—received follow-up letters: "Why not this year?"

In May the Selective Service angle received more attention. Seniors were sent information about student deferments.

Late in May about 850 high school seniors came to the State College campus for "Roundup Day"—tours of exhibits and departments in the morning, followed by lunch, a variety show, counseling sessions, a

parade by the ROTC, and in the evening an operetta by the student dramatic team, with dancing afterward. This clinched the sale for a lot of youngsters. Every student who attended received a souvenir letter and a view book of State College, mailed to his home after his return.

This was followed in June by a gay announcement of the opening of "Freshman Days" in September which was sent to every high school senior in the state.

On August 13, all seniors who had sent reply cards at any time received formal invitations from President Headley to attend "Freshman Days." When the new G.I. Bill for Korea veterans was passed, 4,500 letters went right out to all South Dakota's sons who had come back from Korea.

Came September, and President Headley sat back with his committee and counted up the results: a freshman class of 854—nearly twice that of the previous year.

With these results, President Headley and his men continued the campaign with more gratifying results this fall. This year's enrolment shows increases in engineering and nursing education.

"We put on a scholarship campaign to increase the number of nurses starting their training this fall," says Dean Chapman.

That's the story of how the South Dakota State College is meeting a problem that every college must face these days. What can be done in South Dakota can be done anywhere.

The grim truth faces us that this

*25¢ a day*  
**CAN BUY THE  
GREATEST GIFT  
OF ALL**



*for your children*

**Here is the Christmas gift  
that can never be forgotten.**

A special plan for youngsters has been developed by National Life of Vermont, the company "solid as the granite hills". This new plan can be applied for this Christmas for your child or grandchild, from birth to age 14\*. It's a plan that not only offers protection in the present . . . but increases 5-fold in face amount at age 21. Yet it will cost you only 25c a day if issued before your child is six months old. Here's what the plan provides:

\*ages 5-14 in New York.

**During the growing years  
the child will have:**

\$2000 life insurance protection (from age 1 to 21\*\*)

Or, an increasing cash fund that can help pay college expenses or finance an early start in business.

\*\*from ages 0 to 1, the protection is \$500.

**When 21 is reached:**

The \$2000 policy automatically increases 5-fold in face amount (\$10,000) yet the premium, payable only to age 65, remains the same!

No further evidence of insurability is required, regardless of health, occupation, war or aviation hazards!

The very substantial cash value which this policy builds may be taken in cash for emergencies or used later in life to provide a life income at retirement!

Use coupon for full information

**NATIONAL LIFE**

*Insurance Company*

**MONTPELIER 4,**

**VERMONT**

Please send full information on your "Estate Builder" plan for children.

Name

Street

City and State

Age of Child

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Somewhere in this vast western area there's a location that's ideal for your requirements . . . for manufacturing, assembly, distribution, warehousing or some other purpose. Furthermore, there are many material advantages and attractions that make for employee contentment.

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For specific information, we suggest you contact your nearest Union Pacific representative or write the Industrial Development Department, Room 250, Union Pacific Railroad, Omaha 2, Nebr.

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**UNION PACIFIC RAILROAD**

country has only some 450,000 engineers and 200,000 natural scientists engaged in manufacturing, construction, transportation, communications, and in research and development—the lifeline of our future.

The Soviet Union has 475,000 engineers and scientists in these categories, and is overtaking us by leaps and bounds every year.

Some of the ideas used in the South Dakota campaign have been used elsewhere. Faculty members of Louisiana State University, for example, visit high schools annually. West Virginia Institute of Technology sent out a "road show" of seven engineering exhibits manned by trained student crews which pulled in a lot of new freshmen. The University of Colorado operates an "engineering open house" program neatly timed to coincide with the interscholastic track meet. Iowa State College has a program including radio and television.

South Dakota State produced results by applying systematic individual appeal to the basic problem of matching student potentialities with the country's needs and opportunities. To do this meant maintaining constant touch with industrial associations, chambers of commerce, federal and state agencies, agricultural groups and individual employers in order to keep its estimate of future needs and opportunities up-to-date.

**LAST** summer, a conference attended by all seven presidents of South Dakota's colleges decided unanimously to get together in a state-wide effort to bring more students to their campuses and to try to guide individual students into those paths of learning which were best adapted to his or her qualifications as well as to the future needs of the community.

Jubilant over this enlarged prospect, President Headley is out in front again with another idea.

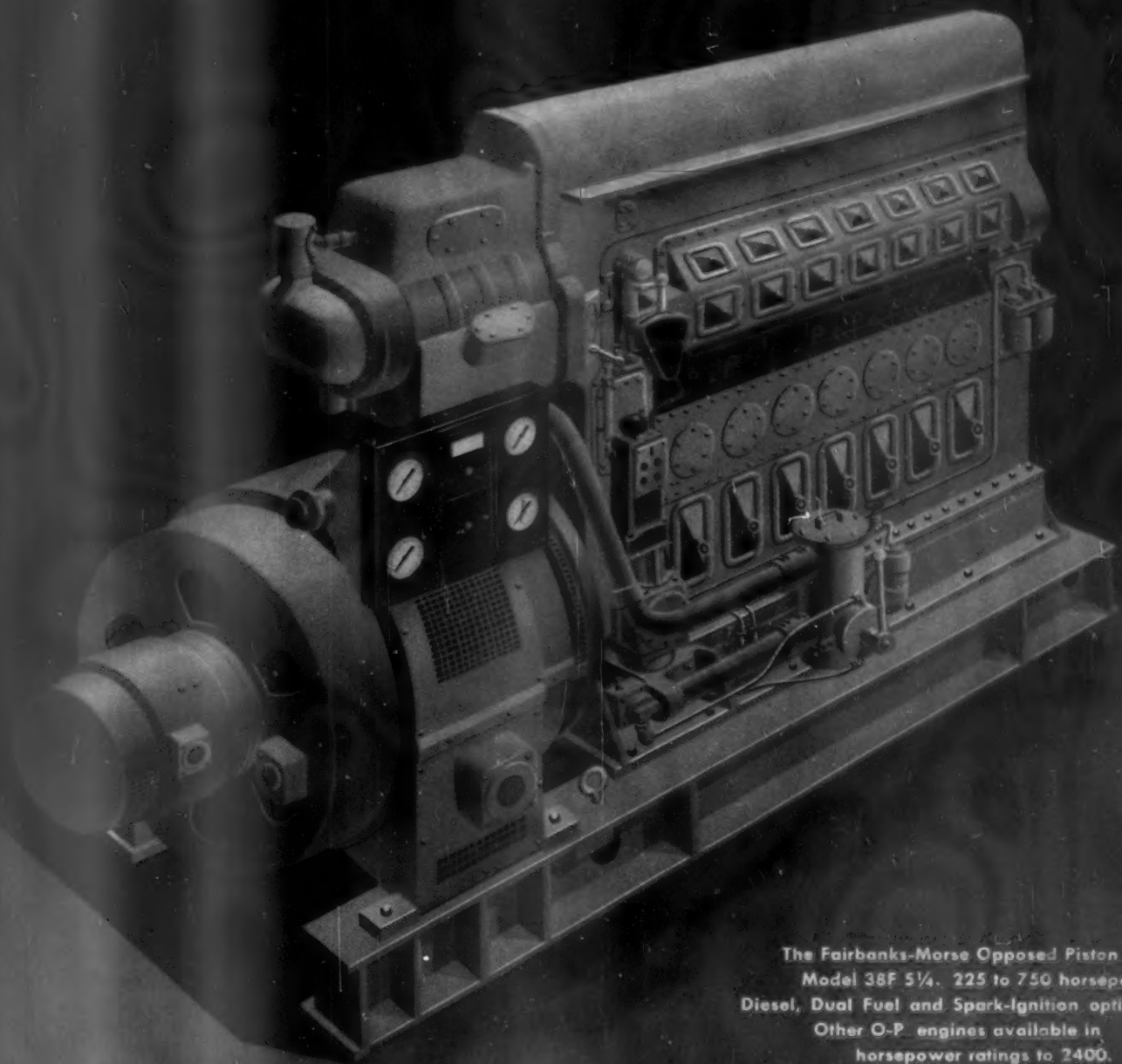
"Why confine our efforts to boys and girls about to graduate from high school?" he says. "Let's make our first contacts with those just entering high school. That's not too early to begin giving them a sense of direction and developing latent talents."

Considering that today less than 50 per cent of our high school graduates capable of completing a college course ever go to college at all, and, of those who do enter, 40 per cent don't finish their courses, the Headley idea of catching 'em young makes sense to a lot of people.

And, as President Headley points out, it has been tried and it works.

END





The Fairbanks-Morse Opposed Piston Diesel  
Model 38F 5 1/4. 225 to 750 horsepower.  
Diesel, Dual Fuel and Spark-Ignition options.  
Other O-P engines available in  
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It was designed and built without thought of price... built only to give the maximum of heavy-duty horsepower in a minimum of space... plus an unvarying reliability upon which you could stake a balance sheet of operating costs and profits.

The price?

Not quite as low as conventionally designed and conventionally manufactured engines, but low enough to

insure that no one who wants and needs an engine which gives more, need forego its ownership. For the more difficult tasks of producing power, this engine is a fulfilling answer.

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a name worth remembering when you want the best



THE

# CUSTOMER BUYS PRESTIGE

*The "fine" automobile industry is booming as never before. Yet it's preparing for a strange kind of skirmish—a sales drive where dropping the price won't move the product*

By **BILL SLOCUM**

**E**VERY automobile company employs at least one bright young man to answer intelligent letters intelligently. A few years ago the gentleman so charged at the Packard Motor Company found himself hanging between reality and condescension. A ditchdigger in Illinois had written to the company to state that life would be complete when he, 1, climbed out of the ditch forevermore and, 2, bought a brand new Packard. He was eager to know how the automobile manufacturer felt about his chances on 1, and 2, or either.

It took the earnest youth at Packard two days to work out a reply. It seemed indecent to give a ditchdigger a lecture on the joy of hard work and how it might in a couple of decades lead to the acquisition of a Packard. Company surveys indicated a number of illiterates, hoodlums, and community pillars owned the product but there was not one record of a ditchdigger being in legal

possession. So, rather weakly, the response wished the ditchdigger luck in achieving both wholesome desires.

Three years later the company received another letter from the man. The ditchdigger had just bought himself a new Packard. He had escaped the ditch and gone on to the worries of the excess profits tax. And he was enjoying a most normal reaction which can be called the ancient human distaste for keeping success a secret.

And very ancient it is, too. Since the oldest time, man's method of locomotion has been used by man to indicate publicly his station in life. A pauper walked and a success rode. First in a two-bearer chair, he switched over, as the fortunes of war, politics, or the grain market improved, to a shiny litter on the shoulders of four well oiled bearers. Eventually he complained, "The Forum is cluttered up with every Tom, Dick, and Horatius being carried by four bearers. I must run

down to the market and pick up four more. And, as long as I'm going to use eight, I'd better get a bigger litter."

It could be argued whether he got to the baths any faster with eight. But there was no doubt he felt better getting there.

On this kind of thinking, which is eternal, is built a small but wondrously prosperous chunk of the American automobile industry. It is the so-called "fine" cars market. "Fine" is the automobile industry's word for a select group of four manufacturers and never has a four-letter word been so badly used.

In the first place, all American cars today are fine. Their degree of fineness is limited only by what you can pay and what you need the vehicle for. In certain financial, terrain, and pay-load situations an Allstate (evidently the cheapest) is finer than a Cadillac "60" Special (evidently the most expensive).

There is an even wilder distinction in the industry's use of the word. It is the matter of price which is unanimously set as above \$3,000, Detroit, with state and local taxes extra. But—

Only four cars are termed "fine"—Cadillac, Lincoln, the larger Packard, and the Chrysler New Yorker and Imperial groups. Such fine cars as Buick, Oldsmobile, De Soto, Hudson, and Nash make models that cost more than \$3,000 but





# There's just one thing you forgot

(...and, unfortunately, it could put you out of business)

You've taken a last look around the office, snapped off the last light switch, flipped the lock on the door.

But if you're like too many businessmen, you've forgotten something.

You've forgotten something that could mean you're closing up your business, tonight—for good.

You've forgotten (or maybe you never realized) that unless the safe to which you've entrusted your accounts receivable and other business records bears the Underwriters' Laboratories, Inc. label, it can't be trusted. That, in case of a fire, it would act as an incinerator for your records once the temperature inside got above 350° F. You've forgotten (or maybe you never

realized this, either) that a fireproof building simply walls-in and intensifies a fire that starts in an office. That you can't collect fully on fire insurance without supplying "proof-of-loss within 60 days"—virtually impossible with records in ashes.

## Can you afford to forget?

Can you—when experience shows that 43 out of 100 firms that lose their business records in a fire never reopen? And most

of the others go through an extremely difficult transition period for years after the fire.

Is today—before you reach for your hat—too soon to check up on the risk you may be taking? Too soon to find out how little it costs to provide the world's best protection—a Mosler "A" Label Record Safe? Consult classified telephone directory for name of the Mosler dealer in your city, or mail the coupon now for **FREE FIRE DANGERater**.

## The Mosler Safe Company

Since 1848

*World's largest builders of safes and bank vaults . . . Mosler built the U. S. Gold Storage Vaults at Fort Knox and the famous bank vaults that withstood the Atomic Bomb at Hiroshima*



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Tells you in 30 seconds how much protection your vital records need. Easy to use. Accurate. Authentic. Based on experience with thousands of fires. Figures in over a dozen vital factors about your business. Mail coupon for your DANGERater, now. Free. No obligation.

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Please send me (check one or both):

- ☐ Free Mosler Fire "DANGERater," which will indicate my fire risk in 30 seconds.
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FIRM NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ ZONE \_\_\_\_\_ STATE \_\_\_\_\_



**Pioneering** work in human and economic betterment by Employers Mutuals has enriched the lives of thousands of employees and their dependents—and has improved production, conserved manpower and boosted organization morale for employers! Our **INDUSTRIAL NURSING DIVISION** was established in 1928, with the aims of helping prevent disease, reducing disability and contributing to employees' welfare—all at no additional cost to our policyholder-owners . . . . After 25 years of steadily expanded operation—above and beyond any contractual obligation—this fine service typifies the many which make Employers Mutuals "good companies to do business with."

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EMPLOYERS MUTUAL LIABILITY INSURANCE COMPANY OF WISCONSIN  
EMPLOYERS MUTUAL FIRE INSURANCE COMPANY



these cars are called "high mediums." That is because, possibly, most models in this group cost less than most "fines" but more than most "straight mediums." Now, if you think the auto folk are going to let us off that easily you don't know Detroit semantics because both Packard and Chrysler have models you can theoretically buy for less than \$3,000, plus extras.

If it has been clearly demonstrated that "fine" does not mean fine in the auto business but probably means "premium," "luxury," or "prestige" and surely means all Lincolns and Cadillacs and somewhat less than one half the annual sale of Chryslers and one third the Packard output, we can say that this portion of the car business is a lush minus five per cent of the entire industry.

But, no matter how the English language is twisted or the statistics tortured, one fact is certain—the auto industry simply will not sell more cars than it moved in the unbelievable 6,000,000 car year of 1950 but the prestige car business will beat all records this year. And, expects to bust 'em all over again in 1954.

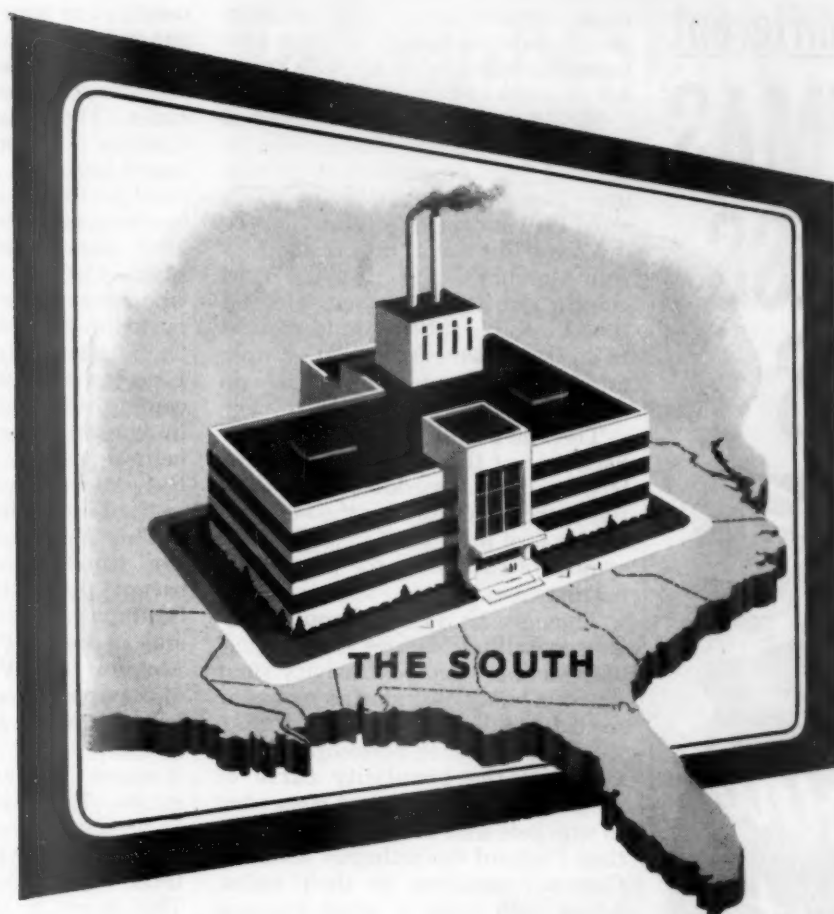
Three of the four "fine" car makers have already sold as many cars as they did in 1950. Cadillac, the exception, is ahead of 1950 production and would certainly have equaled full 1950 sales in six months or less of 1953 if it could meet the demand. All four will surpass '52 marks. Projection is anybody's guess but, as a guess, the 1953 "fine" car sales will run around 225,000 vehicles.

There is a clue to the profits in this field in the recent six-months financial statement by Packard, an independent, engaged only in defense work and the manufacture of "fine" cars and cars that are right on the prestige car border line. About 35 per cent of Packard's \$222,000,000 gross was defense work and the remainder covered the sale of 60,000 vehicles and parts. With declining defense business Packard netted more than \$1,000,000 a month to set an all-time six-months high. It exactly doubled its 1952 profit of 21 cents per share. A conservative guess would set Packard's profit at \$50 a car. It's no guess that the dealer in all "fine" sales gets 25 per cent margin.

So, maybe the word "fine" is derived from the money that can be made by dealer and manufacturer.

Such manufacturers as Benson Ford and Charles E. Wilson have found that supplying the world with good, inexpensive cars can be a most rewarding experience. Both have found that filling the demand for "prestige" vehicles is even more re-





# Land of **3-D** for Industry!

WHAT'S MAKING THE SOUTHLAND of today stand out so prominently in the industrial picture?

It's a *third dimension* in industrial development. Call it "opportunity" or whatever you will—its workings are no illusion. The evidence is here to see on every hand. New factories going up. Industries expanding.

Why? Because the South on the manufacturing side is uniquely endowed with climate, manpower and natural resources that make for sound and profitable industrial growth. And consumer-wise, it is favored with large and expanding markets made up of people with the desire *and* the money to buy.

"Look Ahead—Look South!"

*Harry A. DeBette*  
President



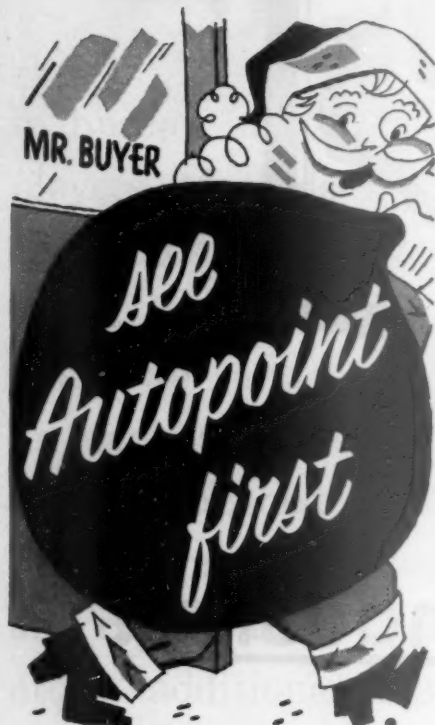
## SOUTHERN

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*The Southern Serves the South*

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This year Autopoint is 1st with the newest in Christmas business gifts. Impressive items from 50¢ to \$50.00. With personalized imprints for a lasting reminder, or without imprints. Autopoint's complete new line meets your every gift need . . . appropriate items for your entire list from presidents to shipping clerks. For gifts you'll give with pride—see Autopoint 1st!

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### AUTOPOINT COMPANY

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Gentlemen:

I am interested in the complete new line of Autopoint Christmas business gifts. Without obligation:

- ☐ Please send me your 1953 Gift Brochure  
☐ Please have your representative contact me

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Please clip this coupon to your letterhead

warding on a per car basis. And both these experts are agreed on why people want the luxury product. Performance has a lot to do with it but not as much as human nature.

Mr. Wilson, when he was head of General Motors and therefore an interested party, explained it by saying, "There is little competition with the desire to own a Cadillac."

Young Ford, now boss of the Lincoln-Mercury Division of the Ford empire, put it another way. He said that Lincoln's future would expand to meet the demand of "the growing number of men and women who can afford and want the best."

Then he put his finger on the very backbone of this segment of the car business when he added, "The prestige attached to owning the very finest car is of increasing importance, a symbol of success to the prosperous businessman."

They are all, Packard and Chrysler, too, selling "desires," "prestige," "distinction," and "exclusivity" first—and a really wonderful motorcar second.

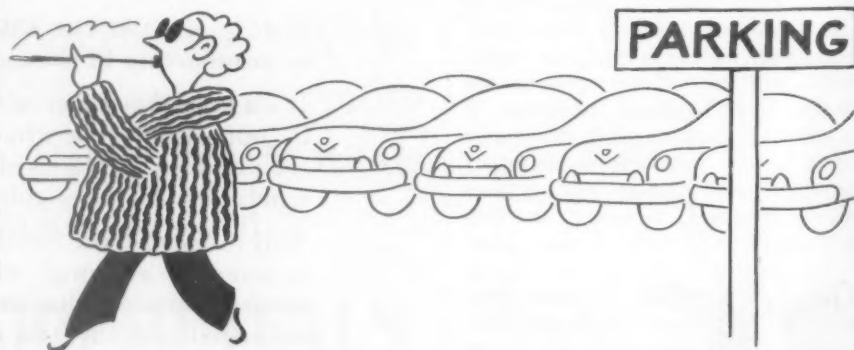
In line with such philosophy is the fact that the popularity curve of "fine" cars tends to react somewhat to who gets shot in them. For a long time Packard was unhappy about Al Capone's devotion to their autos. Along with a lot of other business Packard lost the hoodlum trade. But, as in less exotic industries, these things have a way of evening themselves out.

If Packard lost the underworld business it lost also the White House trade. The White House was never a one-make customer but in recent decades it ran heavily to Packards with a strong representation from

own the kind of a car the President uses . . . or any popular and/or respected citizen uses. Movie stars ride in Cadillacs and talk about them in interviews and on TV and radio. They have helped make the Cadillac a symbol of glamour and it hasn't hurt a bit. For that reason the staid gentlemen at the Lincoln headquarters in Detroit spent June 19, 1953, dancing in the halls because Edith Gwynn, a syndicated lady who keeps score on Hollywood, reported in her column that there was "a definite Hollywood trend toward Lincolns because Cadillacs were becoming too utterly, utterly common in chic parking lots." That is a helluva way to sell a \$5,000 item. But that is the way to sell "fine" cars, as the Lincoln folk well know.

This "successful man's kind of car" thinking is scorned in Russia except by such as the late Joe Stalin, a real successful sort of man, and a real Packard aficionado. Molotov likes Packards, too. Most of the upper-bracket comrades settle for a Zis which is a neat copy of the Packard except in those areas where it copies Cadillacs. Fine cars are like minks. There just is no party line on wanting to own one.

The people who buy such cars are those who make the most money. This is not as idiotic as it reads at first glance because many a laborer can afford a Mercury, according to surveys, where a higher bracketed white collar man with an identical family settles for a Ford. Reason: The white collar man sets aside much larger sums for his home or rent and his insurance. He also prepares for his children's education or is already buying same.



Folk want to own the kind of car popular and respected people use

Lincoln. In view of Ike's devotion to one of their station wagons in Europe, the Packard folk kept a small flame of hope flickering. But, when he rode in the inaugural parade in a cream-colored Cadillac, the Packard folk recognized that General Motors had won a place in Ike's garage, too.

It is obvious the people want to

On the other hand, the laborer's kids may be working, too, and kicking into the family pot.

But with "fine" cars the market indicates clearly that solvency of the buyer is inherent. Repossession on new models is almost nonexistent and only 50 per cent of the vehicles are financed in an industry where 80 per cent of all new cars and 95 per



cent of all used cars are bought on instalment plans. A small town dealer in Connecticut told me he gets 19 Cadillacs a year and sells 16 for cash. When I suggested that 15 of the new cars were sold by 15 telephone calls when the new models were announced, he contradicted me sharply:

"No, I don't call my customers. They call me."

The Cadillac situation, of course, is not typical of the "fine" car market. It is, in fact, not typical of any market this side of uranium. Basically, competitors have resigned themselves to hoping that Cadillac will succumb to overpopularity. And some of this same opposition ruefully suspects that Cadillac is seeing to it that the undoubted charm of "being hard to get" continues. Cadillac, some suspect, doesn't want any greater share of the market than it has.

A distinguished and anguished Chrysler man told me, "Damn it, Cadillac's a good car. But we're all good. Six to eight months for delivery! That's phony. Do you mean to tell me that the great General Motors couldn't solve whatever bottleneck there is? Cadillac's on top because it's selling good automobiles and better psychology."

At Packard an even higher ranking executive shrugged and said, "I've been in the automobile business 35 years and I'm certain of one thing. Every automobile maker sells as many cars as he can. If Cadillac doesn't fill the demand it's because it can't. Not because it doesn't want to."

The man at Cadillac explained softly as though he had done it a million times before, "We simply can't build such a precision instrument in vaster numbers." The Cadillac backlog, he implied, was foundry, not psychology.

The entire industry is curious about what would happen if Cadillac could fill the demand. Would doubled Cadillac production put Lincoln, Packard, and Chrysler out of the "fine" car field? Or would Cadillac find much of its charm gone? I heard much speculation but nobody financially concerned wanted to find out the hard way.

There is, however, one man in Detroit who came to town a little more than a year ago for the express purpose of doing something about Cadillac domination. He is James Nance, new Packard president, and one of the nation's great merchandisers as he proved to the complete satisfaction of stockholders in General Electric (Hotpoint) and General Motors (Frigidaire).

Mr. Nance's challenging the

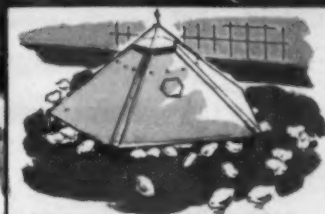
## Taming OL' MAN WINTER at the water hole



Beef cattle on the range fatten faster, dairy herds yield more milk, when supplied *warmed* drinking water. But as cattlemen and dairy farmers are learning, water maintained at 48°F is best, and for *this* dependable controls are needed.

Today's progress-minded farmer relies on modern automatic heating appliances with **Robertshaw® Controls**—on chicken brooders, crop dryers, egg washers, water heaters as well as kitchen appliances.

*Everywhere, in everything*, temperature control is vital today. Perhaps Robertshaw-Fulton's extensive experience can help you solve temperature control problems in *your* plant or on *your* product. We invite the use of our engineering service.



Automatic chicken brooders with Robertshaw Controls.



Automatic crop dryers for tobacco, etc. with Robertshaw Controls.



Automatic Robertshaw-Grayson Water Heater Controls.



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# FAST BY-PASS

...to end  
traffic jams!

Old-fashioned intersections cause dangerous highway traffic jams! And, in a busy office or plant, using the "city" telephone system for both inside and outside calls creates costly delays, frequently loses important business! SELECT-O-PHONE gives you the fast by-pass around your regular telephone system—handles all interior communication, *automatically!* Keeps switchboards free—serves all stations . . . every station can call every other station at a flick of a dial. Speeds production—saves time, steps, money!

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Please send me complete information on Kellogg SELECT-O-PHONE Systems and the new Executive Station.

Name.....

Company.....

Address.....

City..... Zone..... State.....

champ is interesting as are all such defies in any form of sport or business. But in looking at his problem Mr. Nance discloses some provocative thinking which has a great deal more to do with America's future than it has with Packard's. This top American merchandiser wonders if America knows how to sell in a tough buyer's market.

"You can't find many good salesmen among young men today," he says. "All the top sales management men are now in their 50's or older, holdovers from the '20's when hard selling hit its peak. America can produce, but can it distribute? We're teaching selling techniques here at Packard now and I think all business has a responsibility to study its ability to distribute the products it can make."

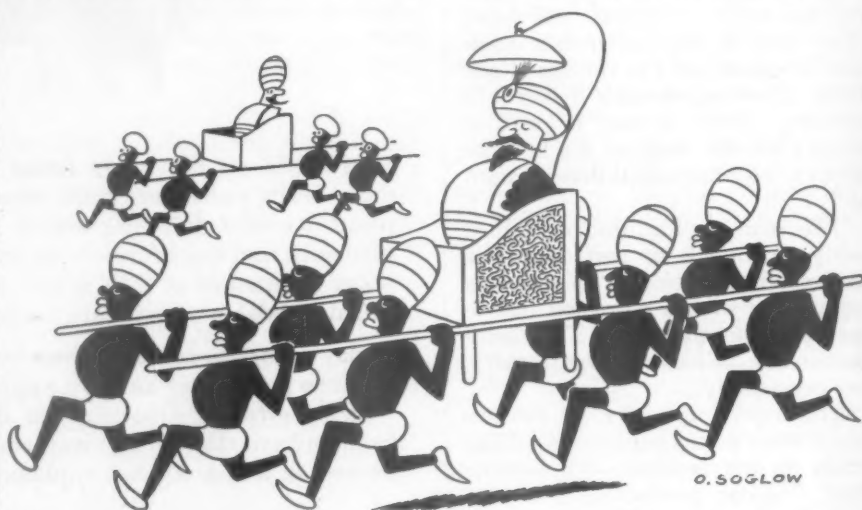
Mr. Nance is talking of selling 96,000 cars this year and 120,000 in 1954 with the emphasis on the top-price Packard rather than the less expensive Clippers. Don Ahrens, Cadillac boss, who says, "Cadillac's only competition is death and economics," showed no sign of panic when the challenge was issued. But he seemed interested enough to announce early this year that Cadillac would expand to produce between 125,000 and 150,000 cars a year, or

Lincoln, incidentally, steadfastly refuses to hint at the date it will put the Continental back in the sweepstakes. There is no great significance in this secrecy because mystery is traditional in the automobile business when new models are under discussion. And it is of little import whether the new model is an absolute innovation from stem to stern or differs from last year's model only in the addition of an air vent.

An air vent doesn't sound like much but it can be a murderous competitive weapon in the hands of a good salesman on a hot day. So the companies try desperately to keep secret any changes, large or small. Thus, there is always a brisk labor market for dissatisfied employees in a position to tell the new boss what the competition is doing. Stylists are in a continuous state of locomotion but the secrets on the mechanical end are better kept until the tool makers get them.

This summer Packard wanted to send some engineers to Toledo for the express purpose of arranging a deal with Libby-Owens-Ford. The glassmakers wanted the business but they were nevertheless quite adamant about the proposed visit.

"You can come down," they told Packard, "but we won't let you in



Since the oldest time an individual's method of locomotion has been employed by man to indicate to those around him his station in life

between 15,000 and 40,000 more than its peak year.

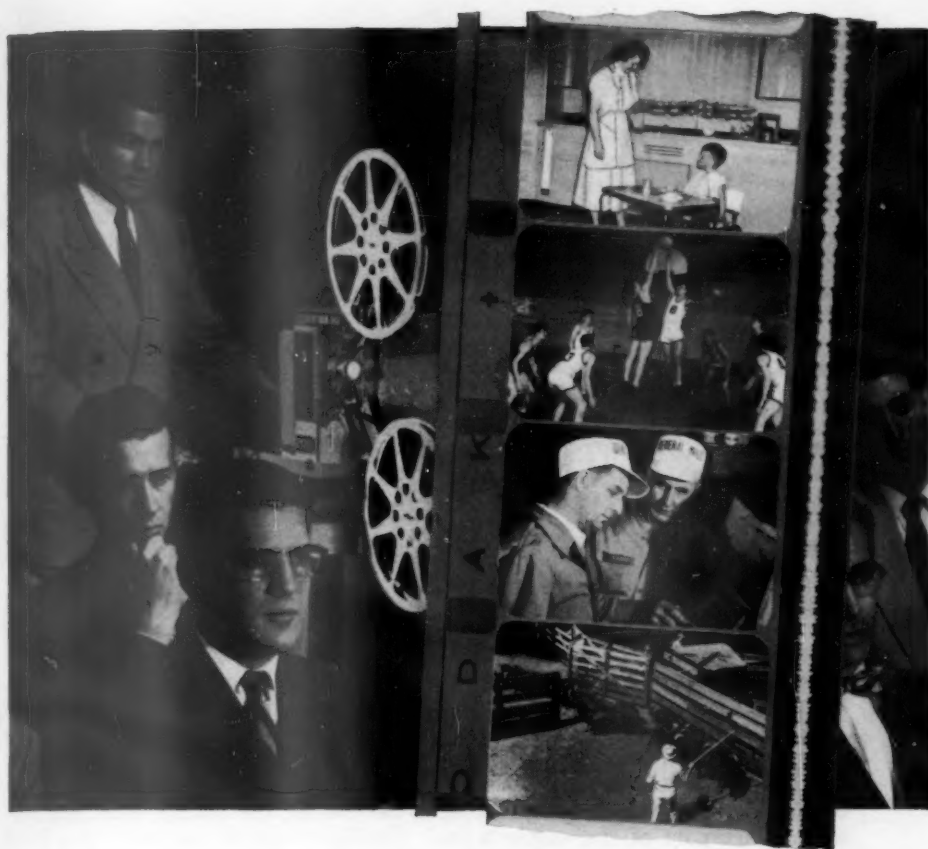
Lincoln has announced it is bringing back the Lincoln Continental. It will cost \$8,000, give or take a few hundred dollars. So the signs of a battle are there. How rough it will be depends upon how much business is available. And increased production quotas and \$8,000 cars indicate clearly that the boys most closely concerned are confident that the business is there.

the factory. We are making windshields for one of your competitors."

New models are shown gingerly to writers under oath not to break release dates. No magazine or newspaper is permitted to send a photographer but the companies will fill specific requests if the requests are not too specific.

Behind this secrecy is the obvious competitive charm of surprise. Behind the mystery about when new models are to be introduced is the





## How photography helps General Mills solve communications problems

Regardless of the nature of your business, the problem of making your company properly understood by employees, customers, stockholders, and the general public is an important task. The better it's done, the faster a company progresses.

For years, General Mills, Inc., Minneapolis, has recognized the importance of good communications at *all* levels of contact. Every known audio-visual device is used to achieve better understanding, and, of course, photography is the key to much of the work. Says one company spokesman:

*"The management of General Mills has a keen appreciation of the film medium and other audio-visual aids. In the utilization of all of them, every effort is made to integrate each one into its program properly for the greatest effectiveness. From the most extensive motion-picture film to the simplest chart, audio-visual aids daily play a big part in employee training, public relations,*

*stockholder meetings, sales work, and advertising. "In producing both stills and movies, Kodak equipment and films play an important role."*

Sound and silent 16mm. motion pictures are used extensively for employee training. In addition, many of the company films are made available to public schools, athletic coaches, nutritional experts, women's clubs, and the general public. All have proved effective in building the stature of the company.

Whether for screening silent or sound 16mm. movies, Kodascope Pageant Sound Projectors answer exacting requirements brilliantly and economically. Seven projector models, priced from \$400, offer a wide choice to meet illumination or acoustical situations. Ask your Kodak Audio-Visual Dealer for a free demonstration. (Price subject to change without notice.)

These are but a few examples from the files of Kodak Audio-Visual Dealers showing ways Kodak audio-visual materials aid business and industry to improve communications or make and sell better products. For more information, use coupon.

### EASTMAN KODAK COMPANY, Dept. 8-V, Rochester 4, N. Y.

Please send name of nearest Kodak Audio-Visual Dealer. Complete information on equipment checked: ☐ Kodascope 16mm. Pageant Sound Projectors ☐ Kodak "Miniature" Cameras ☐ Kodaslide Table Viewers ☐ Kodak High Speed Camera.

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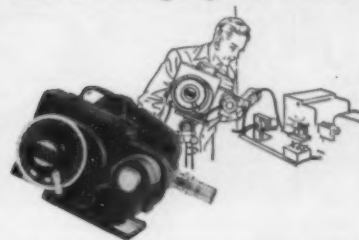
CITY \_\_\_\_\_

STATE \_\_\_\_\_

(Zone)

Kodak

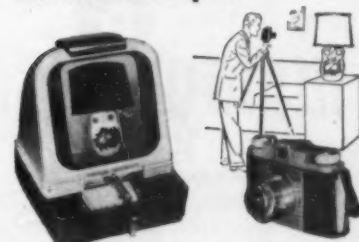
## Parker Pen gets hotter spark with aid of high-speed camera



Parker Pen Company had the problem of developing a hotter spark for lighting the compressed gas in their new Flaminare lighter. This involved a study of the split-second action between various kinds of sparking wheels and "flint" materials. The answer came with the aid of a Kodak High Speed Camera.

Taking up to 3200 pictures a second on 16mm. film—this versatile instrument slows action as much as 200 times when the films are projected at normal speed on a standard projector. By studying the films, Parker engineers were able to analyze spark-particle propulsion and ignition phenomena. Result: a faster selling lighter because of a more efficient and durable lighter mechanism.

## Pictures sell table lamps better than samples



Here's how Merrihome Studios, a quality lamp manufacturer, found the answer to more effective selling with Kodachrome transparencies:

"We design and decorate table lamps for exclusive decorator shops. To avoid shipping heavy, bulky lamps on semi-annual selling trips, we photograph them with a Kodak Pony 135 Camera on Kodachrome Film and show them with a Kodaslide Table Viewer. We picture these lamps fully lighted against fine backgrounds, showing them to much better advantage than we could even show a sample lamp. Buyers give Kodachrome slides much more study than they do actual lamps. Our Kodaslide Table Viewer is a most persuasive 'representative'!"

No question about what  
you said



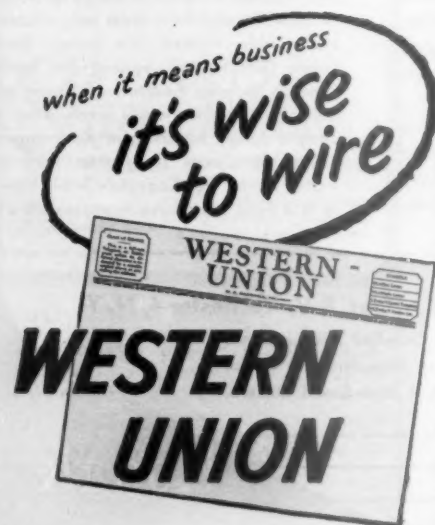
the facts are  
crystal clear



you're on record...



when you send a telegram!



more obvious fiscal charm of not being stuck with too many unsold current models. They become "last year's car" the minute the news leaks out about next year.

This secrecy is one of the stratagems laid down by the men who call all the plays in today's auto industry—the salesmen. At the sales boss' right hand are the bright young men who design the bodies, pick the colors for the upholstery, and draw the pretty pictures for the magazines. The engineer—the man who made the auto what it is—is today in the background. He just continues to pour out miracles to specification. His position in the industry is the truest indication of the quality of all American cars. He has done his job so well and is doing it so well that it's been a quarter of a century since any car buyer has bothered to lift the hood. He knows his engine is good. It's merely a matter of how good and that's merely a matter of money.

If your ears are fringed with gray you remember the old salesroom. A couple of cars and a dozen tables, each with a piston or carburetor or some other part of the engine's insides. Gone is such "nuts and bolts" selling.

Today the tables hold books of cloth swatches. Everybody knows the engines will work, the gears will shift, and the shock absorbers make it tough to keep awake.

The important things are whether or not the upholstery matches Minnie's eyes and how soon can delivery be made on those new wheels—the ones with the spokes like they have on bicycles.

A Ford engineer, speaking about "fine" cars said, "You know, the greatest thing about 'fine' cars is that they would be the cheapest cars in the world if people bought them to last. Thank Heavens, they don't."

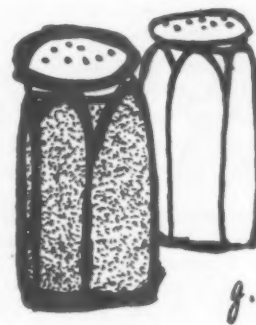
**ALTHOUGH** the engineer now takes his orders from the man who sells the product, that man has his full share of complications. The "fine" car dealer gets a margin of 25 per cent (a few points less on smaller cars). Out of that margin are many fiscal nibbles such as rent, salaries, commissions, advertising and delivery charges. Service departments are often a loss item. And there are "quotas" no matter by what name they are called. It's a rare dealer who can say he sells enough cars to satisfy Detroit or that Detroit delivers to him the models he wants when he most needs them.

Trade-ins are an increasing problem. Four or five trades can be wrapped up in the sale of a new car. Some highly solvent dealers are still

known with great distaste in Detroit as "creamers." They won't do business unless they can make a profitable return on the trade-in without reference to the new car sale profit. This is most common in the "fine" car field and the "creamer" is usually an elderly gentleman who each November calls several distinguished elderly gentlemen in town. He has been calling them since the self-starter was introduced. When he has made a round dozen calls he has a round dozen orders for new cars. It gives him a nice start on the year and a deep sense of security and independence.

**BUT** no matter how much "cream" a dealer has in his blood he loosens up when he scents a chance to woo a "fine" car owner from a rival make to his own. Packard, Lincoln, and Chrysler keep a steady broadside of literature and telephone calls leveled at Cadillac owners. A colleague reports that his local Cadillac dealer came apanting when he learned the friend was about to abandon his Packard. My friend explained that the car in his future was a Ford. Cadillac men do not hear this kind of rebellious chatter often. The dealer gasped, sputtered, and then proved he was a dead game loser by asking, hopefully, "Have you ever considered a Cadillac as a second car?"

The prospect of a Cadillac being a second anything is certainly remote. But a lot of "fine" car men in Detroit are winding up to write a lot of checks to see if it can be accom-

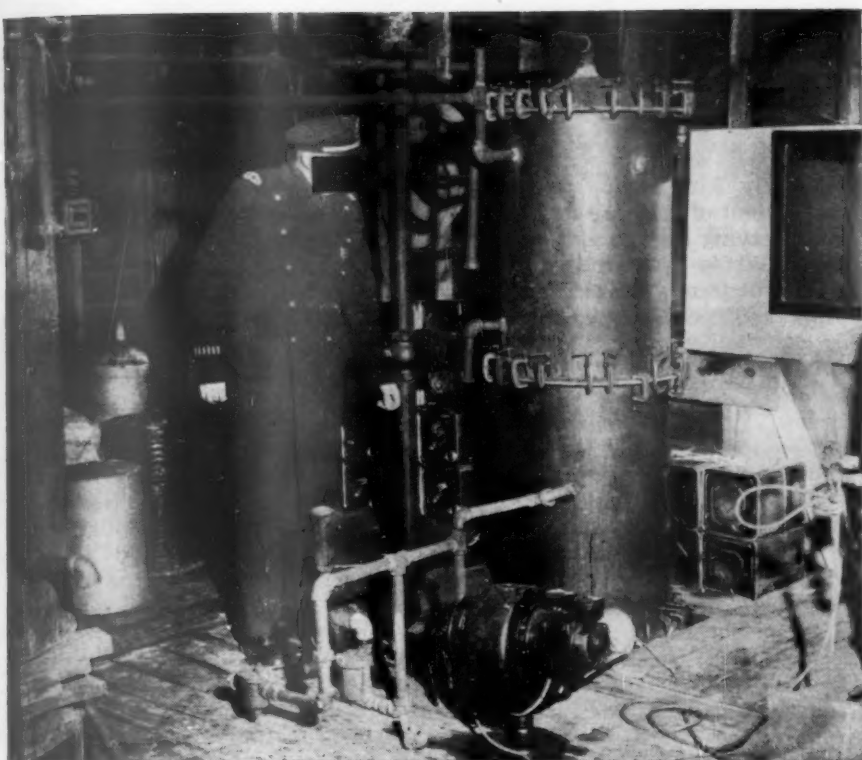


plished. It's going to be a battle for high stakes. But it'll be a strange kind of battle for business. It's probably the only price war in history where dropping the price won't move the product. But don't blame Detroit. It just makes what people want to buy.

And Detroit, which has a survey for everything, says 20,000,000 people want to buy a "fine" car. The potential market, says a more basic survey, is 1,000,000 cars. So, the "fine" car field is in its infancy. Some baby!

END





When Federal agents and local police raided a farm at Walpole, near Boston, Mass., in February, 1953, they destroyed this illegal still, which they estimated cost the Government \$10,000 in lost taxes every week it operated at capacity. Nine 700-gallon capacity mash vats also were found. Officials said the still probably had operated for two years.



Two 1,000-gallon stills and other equipment, estimated by Alcohol Tax Unit officers to cost at least \$100,000 to build and install, were seized in a Kensington, Pa., furniture plant. Elaborate and expensive installations like this are indicative of the huge profit to be made in illegal distilling.



The East was the first target of the bootleg syndicates, but today the racket is sweeping across the country. Distilling equipment above was seized in Detroit in July, 1953.

AT TODAY'S \$10.50 A GALLON LIQUOR TAX...

# Bootlegging is Again a National Problem

*A \$6 tax will combat it... and give you legal beverages at fair prices*

The makers and merchants of legally distilled spirits are asking that the Federal excise tax be adjusted from the present \$10.50 per gallon to a maximum rate of \$6. Even at \$6, the Federal tax alone would still represent approximately one-third of the average retail price of a bottle of whiskey.

In 1944, when the Federal rate jumped from \$6 to \$9 a gallon, organized crime began to move in; since November, 1951, with a \$10.50 a gallon "tax advantage", bootlegging in metropolitan areas has begun to rival Prohibition's worst.

The 1944 and 1951 increases, supposedly "temporary", have long outlived their use-

fulness. They have encouraged the ever-growing production of a filthy product that in a single shocking instance put 41 Georgia people in coffins and over 200 in hospitals.

Today, thousands of Americans are risking their health by drinking bootleg whiskey. Priced out of the legal liquor market by the prohibitive Federal tax, they are fair game for the bootlegger and his vicious product.

Federal enforcement staffs are undermanned. Yet last year they seized 10,685 outlaw stills; state and local authorities captured over 10,000 more. *So long as a fantastic profit remains in each bottle of tax-cheating bootleg whiskey, effective law*

*enforcement is next to impossible.*

There is only one fool-proof way to beat the bootlegger: *Take his customers away by bringing legal liquor prices down to average-income levels.*

A maximum \$6 tax will remove most of the rich profit from illegal distilling... will make big operations like those pictured above too costly a risk.

A maximum \$6 tax will recover some of the tax millions now being stolen from Federal, state and local treasuries... *a loss that has been conservatively calculated at over half a billion dollars a year.*

A maximum \$6 tax will give you good legal beverages at fair prices.

These benefits are not wishful thinking. They are based on the record.

**TAX FACTS.** When you pay around \$4.27\* for a "fifth" of your favorite whiskey from a licensed retailer, you actually pay about \$1.89 for the whiskey itself, about \$2.38 more in Federal, state and local taxes. In spite of general cost increases since 1942, the average distillery price of whiskey, less taxes, has not increased. Today it's the tax that hurts!

\*The average national retail price.



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at only \$70 per month!**



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**\* FREE KNIFE!**

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button gives 4  
blade lengths.  
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City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

NB 1153

## He'll Influence Your Future

(Continued from page 27)

Rapidly Mr. Burns became the most ardent of Mr. Mitchell's novitiates, serving his apprenticeship by making a five-year study of U. S. production trends from 1870 to 1930. Mr. Burns' performance impressed Mr. Mitchell so much that he asked him to collaborate on his capstone volume, "Measuring Business Cycles." He also chose Mr. Burns as his successor as director of research at the National Bureau, whose \$600,000 a year budget is met by contributions from the Rockefeller and Carnegie Foundations, the American Bankers Association, the Life Insurance Association, the AFL, CIO, such companies as General Motors, U. S. Steel, and Standard Oil, as well as by individual gifts.

Automatically Mr. Burns applies to his present job the Mitchell precepts and the Bureau's practices. He accumulates and checks facts. Among other devices, he uses 21 business indicators developed by the Bureau to discern the beginnings of decline or revival.

**HERE'S** how the indicators work: Eight of them, the Bureau discovered, tend to form a cluster, while eight others coincide roughly, and five lag behind. If today the "clustering eight"—business failures, stock prices, orders for durable goods, residential building, commercial and industrial construction, the manufacturing work week, new corporations, and basic commodity prices—should begin sagging all at once and for a three-month period, this can serve notice that the surge has reached its crest.

If at the same time the next group of indicators, the "roughly coincident" eight—nonfarm employment, general unemployment, corporate profits, bank debits, car loadings, industrial output, gross national product, wholesale prices (excluding food and farm products)—also are dipping, it would show that a downward shift was already in progress.

However, the "lagging five" indicators—personal income, retail sales, instalment debt, bank rates on business loans, and factory inventories—do not respond to mild disturbances; it takes something drastic to affect them. If therefore they should begin to vibrate, as prologue to descent, the time has come to bat down the hatches.

The trick is to read accurately the way such indicators, with all their variables, register on the economic

seismograph. This requires a high degree of diagnostic skill, the more especially since some indicators, such as industry's working hours, are far more sensitive than others and there is always a "blind" interval between the time the indicators move and the time data about them can be recorded, assembled, and funneled up to Mr. Burns by his staff.

**CURRENTLY**, of course, nearly all indications from both private and public sources presage flourishing times. Gross national product, at an annual rate of \$372,400,000,000, almost three and a half times that of 1929, is eight per cent higher than last year; corporate profits are up 13 per cent; employment recently reached a record 63,400,000 with wages and salaries at record levels.

Almost the only dark spots are the six per cent drop in farm income, with the consequent slide in farm equipment sales; the possibility that inventory stocks are too high in some lines; the slight persistent shrinkage in the dollar's values, amounting to six tenths of one per cent over the past 12 months; and the nervous flumps of the stock market which is perhaps less a barometer of the economic than of the emotional scene.

Nevertheless, Mr. Burns asserts that the question is not whether there will be a decline from the present peak, but rather when it is coming and in what form. He dismisses as romantic any suggestion that our economy has become immune to considerable oscillations. He is also sure that the content and contours of any setback are shaped by the nature of the preceding period of prosperity.

He is therefore reviewing the features of the current boom to learn where weaknesses are most likely to appear, and to figure out therapy—preventive, curative, and remedial. He distrusts any over-all solution.

"What we are aiming at," he says, "is not some universal solvent for all our problems, but rather a state of readiness. We are putting together, on a case-by-case basis, a series of specific programs that can be flexible enough to be adapted to alternative situations as they arise."

He is anxious to avoid the error of assuming that measures suited for overcoming a previous slump could be applied with equal efficacy today.

He feels, moreover, that the anti-depression dykes built by the New Deal will not hold back any strong deflationary current. He points out,



# United States Steel knows it pays to lease trucks from Hertz!

When an important division of United States Steel decides to lease trucks from Hertz, it's added proof that Hertz Truck Lease Service is more efficient and more convenient than private truck ownership.



The Hertz Truck Lease Service is *all* to your advantage: your capital is not tied up in expensive equipment; you have no maintenance or bookkeeping worries. Hertz furnishes *everything*—except the driver—and often for less than the cost of ownership.

**LEASE YOUR TRUCKS**  
*from* **HERTZ**  
NEW TRUCKS...EVERYTHING  
FURNISHED BUT THE DRIVER

## Rent passenger cars, too!

Hertz has rent-a-car stations in more than 500 cities throughout this continent and abroad. Fine new cars are available for an hour, day, week, or as long as you wish, and gasoline, oil, Public Liability, Property Damage, Fire and Theft Insurance and \$100.00 deductible collision protection are included in the low rate—at no extra cost. When you need a car, telephone or go to your local Hertz station.



If you now have trucks, Hertz will buy them and will either continue them in service or replace them with new trucks engineered to your specific job and painted to your specifications. Hertz keeps the trucks in tiptop condition...supplies gasoline, oil, tires, lubricants...properly insures them (through your own broker, if you wish). Extra trucks for use in peak periods or emergencies are also available.

Hertz serves every type of business! The Hertz System can supply the right type of truck for each specific job. Among Hertz customers are manufacturers, wholesalers, distributors, retailers...restaurants, laundries, cleaners and dyers, department stores, groceries, specialty shops. The products, commodities and services they encompass include: steel, lumber, building and plumbing

supplies, hardware, flowers, dairy products, baked goods, confectionery, drugs, meats, fish, groceries, fruit, beer, liquor, wine, soft drinks, musical instruments, newspapers, printing, and many more.

**Rent extra trucks!** Hertz stations always have one or more trucks on hand for rental by hour, day or week to individuals or businesses wanting extras for emergencies.

**Hertz is the world's largest** truck and passenger car rental organization, with a 29-year record of customer satisfaction. You, too, will find it pays to lease or rent trucks from Hertz. For folder giving complete information write Hertz Truck-Rental System, Dept. F11, 218 South Wabash Avenue, Chicago 4, Illinois; phone: WEBster 9-5165. No obligation, of course.

Look in your telephone directory under "H" for your nearest Hertz station

NATIONAL HEADQUARTERS: **HERTZ Truck-Rental SYSTEM** Dept. F11, 218 SOUTH WABASH AVENUE • CHICAGO 4, ILLINOIS

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*The Perfect Gift  
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HEADQUARTERS: DETROIT, MICHIGAN

for example, that unemployment insurance payments to date have made up for only 16 per cent of income lost from layoffs or job severances; savings do not suffice to take up the slack in spending, the more especially since people out of work tend to economize.

**MR. BURNS** disagrees with the New and Fair Deal propensity to oversimplify the Keynes theory under which government outlays were to "compensate" for deficiencies in national income. A predecessor, for example, urged as the supreme anti-depression remedy the use of government pump priming to get more purchasing power into the hands of the consumer, while keeping taxes high. But Mr. Burns would cut taxes to release added purchasing power.

He regards private investment as even more fundamental to the economy, promoting new ventures, and taking off the shelf the technological advances which result in higher productivity and employment.

"The present boom has been based, more than is generally realized," Mr. Burns declares, "on \$177,000,000,000 of private investment in new plant and equipment during the past eight years."

Hence not only to brake a slump but to avert one, Mr. Burns is considering government measures to stimulate and encourage private investment by reducing taxes and interest rates as needed. He is also exploring "incentive taxation" ideas.

His own emphasis generally would be to enlarge prospects for profits; he has confidence in the resourcefulness and intelligence of the U. S. businessman.

He also has confidence in the ability of the construction industry to create jobs more swiftly than any other. He is designing a public works program—hospitals, highways, schools, slum clearance—so that it might be put into effect, on a local and regional basis, at the first threat of serious decline.

When last spring Mr. Burns left the National Bureau of Economic Research for his current pursuit—his first hitch of government service—he was determined to remain the detached independent specialist who calls the turns as he sees them, leaving up to others the political side.

Some old-hands in Washington, however, doubt if he can continue with this attitude. Policy making is not confined to pure exposition of ideas but also results from clash and compromise in both the executive and legislative branches, where the art of persuasion becomes politics of a high order.

Nor can political chores often be

delegated—even to so capable a colleague as Neil H. Jacoby, former dean of the School of Business Administration at the University of California at Los Angeles, who was recently appointed as the second member of the Council. An old-fashioned liberal, eloquent about the advantages of the open competitive market, Mr. Jacoby is more familiar with government ropes, having served as consultant both to the U. S. Treasury and the State of Illinois.

But no one can pinch-hit too frequently; the Washington rules compel Mr. Burns to go to bat for his own views. If, for example, Mr. Burns' counsel to sit on the bulge of the boom and combat the rise of economic nationalism should be ignored, he will be blamed, anyway, for difficulties that ensue.

**THIS** prospect is relished by some people in the administration who are not sympathetic with the activity of which he is symbol. They comprise the last-ditch laissez-faire group that for years has been articulate against "government interference" and "economic planning," both of which are involved in the success of Mr. Burns' undertakings. He will have to do what he can to win over or neutralize opposition from these quarters. Within limits, he feels, it is a question of semantics.

"To identify government intervention, when needed to keep our economy in good shape, with the idea of socialism, or to identify economic planning with the regimented state," Mr. Burns says, "is to put upon words one's own fears and prejudices, and assign to particular phrases meanings they do not have in reality, certainly not in our own country where free enterprise and political democracy go hand in hand."

He suggests, further, that if we are to analyze rather than sloganize our way through our economic problems, we need to use care in defining the terms of our vocabulary.

"Take the idea of big business monopoly," he says. "The automobile industry is often cited as the classic example of this. Actually, the competition is intense.

"The point is," he continues, "that the facts are always hard to come by and to disentangle from emotions. There are no invariable rules. Concentration of power in business or government or labor or anywhere else is a danger to economic freedom. But it is absurd to infer that abuses exist, simply on the basis of size, of bigness alone."

Since in time of stress he thinks we must develop a new conscious partnership between government,



business and other economic elements in the community, he is anxious for all concerned to "examine the evidence" of our economic status, at home and abroad, in light of "the kind of world we live in," and to forego nostalgia about the past.

"There is no road back," he declares. "A generation ago, it was natural to think of the government as playing a minor role in business fluctuations, and of depressions as merely brief interruptions in a steady upward climb.

"But this whole concept," Mr. Burns continues, "has been changed within our own lifetime. It has been changed by two world wars, by the revolutions and convulsions that followed them, by the rise and fall of empires, by upheavals in trade, by marvelous strides in technology, by astronomic inflations, by our own economic breakdown in the 1930's, by many other things.

"Most of all," Mr. Burns adds, "it has been changed by the growing menace of communism which has forced us to make vast expenditures for our own defense, and for economic and military aid overseas.

"Within this new kind of world environment," Mr. Burns asserts, "public responsibility for controlling depressions has become a necessity—and not only to safeguard our own people against hardship.

"In the election campaign last year, President Eisenhower showed he had all this very much in mind when he pledged that he would mobilize the full power of private industry, and of the federal, state and municipal governments to block a depression before it can gain any real momentum. I am convinced that, to carry out this commitment, the President will move quickly and boldly.

"After all," says Mr. Burns earnestly, "we know that our own economy is on trial before the jury of world opinion against the false claims of communism that it can meet human needs and aspirations better than we can. Even in noncommunist countries, the old Marxist dogma that capitalism is doomed to crack up on the rocks of economic crisis has become a weapon of propaganda used to confuse the uninformed and to stir up discontent.

"We will win," he affirms, "by continuing to demonstrate by deeds that we can deliver on the promises of economic freedom."

To help in defending and extending that freedom, Mr. Burns has given up the economic watchtower of the National Bureau of Economic Research for his less serene vigils as economic watchman for the White House.

END



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# Letters TO THE EDITOR

## New enterprise

"Take a Gander at the Goose" by Gerald Movijs was of a great deal of interest to me. I have been considering raising geese commercially. Where can I get information that would help me begin such an enterprise?

DR. ALVIN M. LABENS  
Clarksdale, Miss.

## Word to travelers

It is hoped that Mr. Morley's editorial will fall into the hands of many Americans anticipating foreign travel as it can help materially to promote good will and understanding.

J. A. WILLIAMSON  
The Carborundum Co. Ltd.  
Manchester 17, England

## Past experience

Having been with the government with four or five agencies during the past ten years, I have gone through the sort of things you describe ("The Nation's Worst Boss"), poor administration, insecurity, discrimination because of veterans' preference, transfers to other locations and undesirable working conditions due to bad facilities.

Were it not for the fact that private industry discriminates against those past 40 (yet is supported by customers of all ages) I would never have gone into government service.

GOVERNMENT WORKER  
Minneapolis, Minn.

## The Cheese Exchange

In reference to the item headed "Cheesedom's Mighty Mite," the price of cheese you had for lunch was probably not established by what happened on Friday morning at the Wisconsin Cheese Exchange.

The market price of cheese today is probably as far above what a free market price would be as ever in history. We have an enormous surplus of cheese—so great a one that nobody seems to know what the government is going to do with it. But this surplus cannot have more than a minute effect on the market price so long as the government stands ready to buy all cheese that is offered, at a price that guarantees the producer a reasonable profit.

Nor can foreign cheese affect the market. The government sees to that by limiting strictly the quantities that can be imported.

DOUGLAS SMITH  
Scripps-Howard Newspaper  
Alliance  
Washington, D. C.

## Figure juggling

Your September feature story "Russia's Gaining On Us" is grossly misleading. The author, Herbert Harris, arrives at a wholly unwarranted

conclusion, apparently taken in by a typical Soviet trick of figure juggling by the use of percentages.

U. S. current production of steel, says the author, of 115,700,000 tons represents a postwar increase of only 73 per cent, while the USSR currently produces 41,400,000 tons, a postwar increase of 189 per cent! Reduced to tons instead of percentages, however, our output has risen 48,800,000 tons against the Soviet increase of 27,100,000 tons. At this rate, is Russia gaining?

KENNETH ZABRISKIE  
American Houses, Inc.  
New York, N. Y.

## Resume specie payment

Congratulations on your editorial "Smarter Than People." It states in part: "Money is stubborn . . . printed paper . . . is honest, and history is strewn with the bones of currencies that preferred death to dishonor."

The United States dollar is 15 $\frac{1}{2}$  grains of gold 0.9 fine. But gold is nationalized and not in circulation; that is notorious. About \$26,000,000,000 out of about \$30,000,000,000 of money in circulation consists of Federal Reserve notes; they are promises by the United States of America to pay dollars to the bearer on demand. Not a dollar will be paid! Our currency is inconvertible, i.e., not payable in gold; that is the basis of monetary inflation.

The Economists' National Committee on Monetary Policy and The Gold Standard League have published data on the gold stock which show that the stock is now ample as a reserve against currency and bank deposits. The sooner specie payment is resumed, the less the shock and injury.

EDWARD HENRY NEARY  
Port Washington, N. Y.

## No peace for the soul

Although I thoroughly enjoyed reading Dorothy Kilgallen's "But I Want to Live There" for the sheer artistry of the phrasing and mastery of description, I couldn't be happy in her New York.

In her skyline there are no church spires pointing men to a higher and more powerful "Giant" than her New York. She described no pulpits where consecrated pastors try to lead people into the "more abundant life." There were, in her parade, no people making their way to church to praise and thank the giver of all the beauties of nature that she describes so vividly.

No, Miss Kilgallen's New York appeals to the esthetic and the carnal only. There's nothing there for those who seek peace for the soul.

MRS. C. J. MEEK  
Wheeler, Texas



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# NO PROFITS HERE FROM CHRISTMAS TRADE

The next few weeks will be VITAL profit-wise for you if you depend on Christmas trade. If fire or some other disaster interrupts your business during this peak season, your whole year can be ruined.

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# HIGH LEVEL STUFF

By DAN GALLERY



*"I want those planes in the air right on the 500 mile mark from New York"*

IN THE headquarters of Patrol Wings Atlantic Fleet, squadron commanders sat nervously around the conference table awaiting the arrival of their boss, Adm. "Bugler" Bates. The previous night a large scale operation had been snafued by poor radio discipline and only a few days ago Admiral Bates had issued an order saying that from now on radio discipline would be "excellent." So everyone expected him to lower the boom this morning.

When the admiral strode in his blood pressure was still in the emergency red sector of the dial from the previous night's performance. He glared menacingly around the table and said:

"I will not tolerate any more of this Flash Gordon stuff on the radio. In the kind of operations we're now doing lives can depend on proper radio procedure and we are going to have it. From now on, I'm not going to bother with individual pilots but if there are any more violations I will hold the squadron commander responsible and suspend him from duty."

Bugler scowled. Each squadron commander glanced accusingly at each of his neighbors and at the same

time assumed an air of injured innocence himself.

"So much for that," the admiral continued. "Radio discipline will be especially important in the fleet exercise next week which all this is leading up to. In this exercise our job will be to defend New York against an atomic attack coming in from a fast carrier task group at sea.

"The rules agreed on require the task group to launch its attack not more than 500 miles from New York. I want to 'sink' those ships before they can do this. Even after we locate the task group it will take some time to get our attack organized and fly 500 miles to sea, so we've got to find them at about 1,000 miles. I am especially anxious to do well on this exercise because . . . because of its strategic aspects."

A squadron commander near the end of the table leaned over and whispered to his neighbor. "Nuts. Old Bugler wouldn't know a strategic aspect if he saw one. He just wants to clobber Admiral Day's task group and make a bum out of his old rival."

Everybody in the Navy knew about the feud between

NATION'S BUSINESS SHORT STORY OF THE MONTH

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Bugler and Adm. Winfield "Windy" Day—aided and abetted by a certain Lieut. Cmdr. Scott Cue, known to all as "Curly."

"Now you gentlemen get busy," continued Admiral Bates. "Figure out the details. I want an airtight search plan that extends out to 1,000 miles for a sector from northeast to south—that's more than 1,000,000 square miles. I want to run a couple of preliminary exercises against our own shore-based fighters to find the best way for getting through the task group's fighter defenses . . . and remember, that fellow Cue who commands the fighter squadron in the task group is a shifty, underhanded individual. Don't let him suck you into any booby traps; don't jump to any conclusions about what he may seem to be doing."

There followed a lot of technical discussion about barrier patrols, scouting lines and sector searches, plus much measuring of distances on charts. Radar bombing tactics, night intercepts, and evasive measures also were covered. Everybody knew that if they nailed the task group Admiral Bates would be much easier to serve under, and if they didn't they might just as well all apply for transfer.

When details had been worked out the chief of staff announced: "In order to prevent collisions on these night intercepts we have agreed with the task group that no intercept will be pushed closer than 500 yards and all planes must show navigation lights."

That same night out in the middle of the Atlantic Ocean a task group consisting of the carrier *Okinawa*, a couple of heavy cruisers, and a dozen destroyers also was getting ready for the exercise. Lieut. Cmdr. Curly Cue, skipper of the *Okinawa's* night fighter squadron, whooshed past the blacked out bridge of the ship in his twin jet Banshee, singing softly to himself:

"Bell bottom trousers, suit of Navy blue. . ."

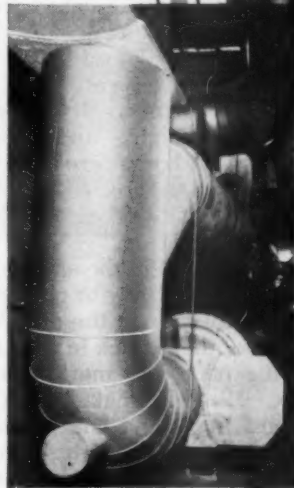
Curly flashed his lights in the breakup signal, peeled off and tooled his Banshee around into the landing circle, dropping his wheels, flaps and hook as he reached the downwind leg.

"He will climb the rigging like his daddy used to do. . ."

The landing signal officer picked Curly up with a roger on his neon wands, gave him a "slant" signal to cock her up steeper—a "low"—an "agitated low"—a frantic "come on"—and then a desperate "cut."

"If it is a girlie, bounce her on your knee," sang Curly as he whacked off the power and flopped on the deck, hooking No. 1 wire.

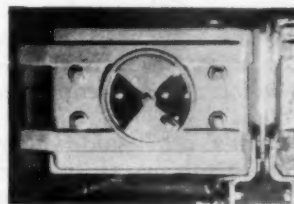
Curly lifted his hook as the arrest-



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Great Eastern Fire Insurance Company  
Reliance Insurance Company of Canada

ing wires were lowered. He gave his Banshee a blast from both jets and scurried forward of the barriers.

"If it is a boy, send the rascal out to sea."

He braked his plane to a stop, cut the switches and squirmed out of his harness, sighing philosophically, "You'll never get rich—but it's a living."

After the last plane landed the squadron commanders and senior ship's officers assembled in flag plot to discuss the night's operation with Admiral Windy Day and his staff.

"How goes it, Curly?" asked the admiral.

"Pretty good, sir," said Commander Cue. "My fighters caught nine out of ten bombers trying to sneak in on us tonight—and these little bombers of ours are much harder to catch than those big P2Vs will be. A few more sessions like tonight and we'll be ready."

"I think so, too," said the admiral. "Of course Bates will try to clobber us before we can launch the attack, so I want to get that attack in the air right on the 500 mile mark from New York. We will make a high speed run all night and launch our bombers just before daylight. The whole show depends on what your fighters can do on the run-in that last night."

"We will cover about 400 miles between sunset and sunrise but there will be a lot of P2Vs out looking for us. You've got to find them before they find us, and put them out of action. We'll need a combat air patrol of 12 planes all night. Do you think you can handle the job, Cue?"

"Yessir," said Curly. "If the radar people can spot them for us and give us 15 minutes warning we can stop them cold."

"We'll spot 'em for you, commander," said the Combat Information Center officer. "We'll have picket destroyers stationed about 60 miles ahead as early warning stations. All you jet jockeys will have to do will be follow the directions of my controllers."

"Yeah, that's all," said Curly. "Except for such things as flying on the gauges for three hours, making intercepts in the dark, avoiding collisions and landing on a blacked out deck."

"Okay, Curly," said Admiral Day. "We know your boys won't just be sight-seeing up there. It's going to be a busy night for the flight deck crews and hangar detail, too. They'll have to get the bombers up out of the hangar deck just before dawn—and they'll have to do it all blacked out."

"Just remember I want to get that attack off before they hit us."

Next night the *Okinawa* put up a combat air patrol of 12 Banshees and sent out six of her own bombers to impersonate P2Vs. It was a black night under a solid overcast. You couldn't tell which way was up. Catapulted into space, the pilots simply went on the gauges, followed the dials to their assigned altitudes, and flew as the controllers told them to.

Danny Daniel, senior controller on the *Okinawa*, seated at a radar scope in CIC with his earphones and transmitter strapped to his head, kept an eye on everything happening in the task group. All six of his assistant controllers reported their respective pairs of jets under control, orbiting on station at their assigned altitudes, ready to intercept any incoming target picked up by radar.

Soon a picket destroyer out ahead of the task group reported, "Bandits bearing 045, distance 150 miles." Danny Daniel designated the controller who was to make the intercept and word went out on the radio,



"Cap three—vector 045—angels 20."  
"Roger from cap three," came the answer.

Up in the blackness the flight leader of "cap three" continued a robotlike scan of his instrument panel, swung around in his orbit until the compass read 045, then rolled his wings level, heading northeast. He climbed to 20,000 feet, and with his wing man flying close, bored through the night toward the still invisible approaching bomber.

"Cap three," came the voice of the controller, "you are closing rapidly now—bandit bears 047, distance 80 miles—this will be a split attack from ahead."

"Roger."

When the radar blips showed the two jets to be 30 miles from the bandit, the controller sent one fighter off to the right and the other to the left to bracket the incoming bomber. One or the other of them would be in good position for a shot no matter which way the bomber turned.

The controller kept up a steady chatter of orders to his two jets, maneuvering the blips on his scope until he had the fighters nearly abeam of the target. Then he turned



them in for the attack, one a few seconds later than the other to avoid danger of collision at the target.

The two fighters converged for about a minute. The pleased cry came in from the leader, "Tallyho! I have target's navigation lights in sight." Then came the tallyho from the wing man.

Here Lieut. Cmdr. Daniel cut in: "Disregard target's navigation lights and follow your instruments. The enemy won't show lights in war-time."

Out of the blackness came the reluctant replies as the two pilots went back on the gauges.

In the target plane, the pilot who was eavesdropping on the fighter frequency growled at his rear seat man, "These characters want to play for keeps. Keep a bright look out for those guys coming in at us—I don't trust any blow torch jockey too close on instruments at night."

Soon a pair of jets whizzed past his tail from opposite sides, spaced ten seconds apart, and the squawk box in Combat Information Center said, "This is cap three—splashed one—am rendezvousing with wing man and returning to station."

"Roger," broadcast the controller. "Any comment on that intercept?"

"Affirmative," said cap three. "I don't like this instrument stuff for the last part at night. I guess I missed him far enough that time—but I'd rather watch where I'm going."

During the exercise that night the ceiling and visibility lowered and the planes had to be brought aboard with the carrier's controlled approach system. Combat Information Center talked the planes down through the overcast on instruments and fed them in to the landing signal officer, who took over each plane as it broke through and brought it in visually.

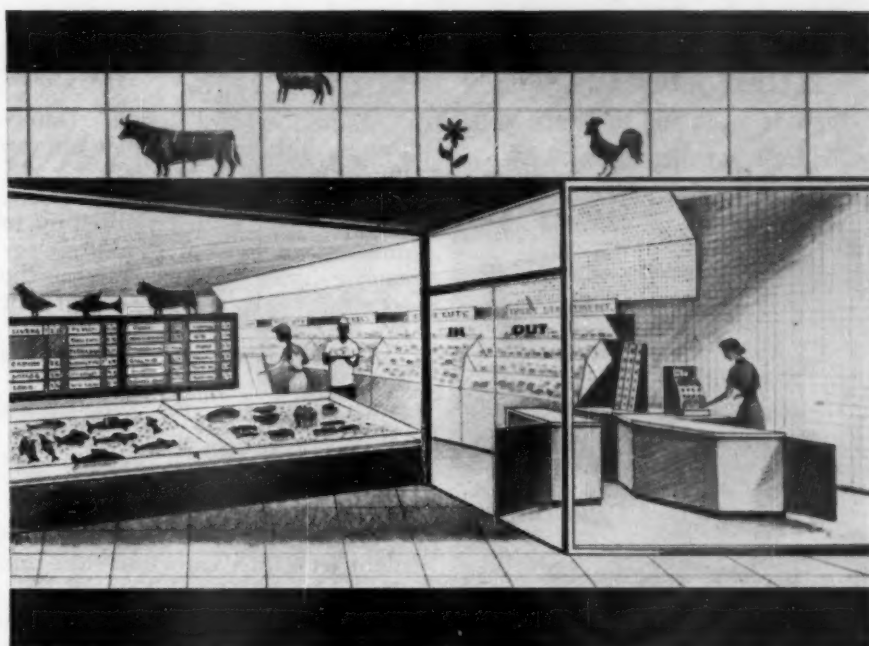
As soon as a plane emerged from the low clouds half a mile astern the signal officer would sing out "Contact" on his throat microphone, thus telling the pilot he had him in sight and giving him about ten seconds to make the shift from instruments to visual flight. The pilot had to find and recognize the dim lights of the carrier deck, to see and understand the wand signals, all at one fast swoop.

After the last plane got aboard there was another conference around the coffee urn in flag plot to size up the night's work.

"It looked mighty good to me," said the admiral.

"I think we're ready now," agreed the CIC officer.

"So do I," said Curly. "But let's not get too fancy about making inter-



## sales go up when **Masonite Presdwood** goes into ... **a meat market!**

It's a big contrast—the clean and inviting meat market of today compared with the old "butcher shop" of some years back. Instead of a sawdust-covered floor and open pickle tubs, you are greeted by gleaming, neatly arranged cases . . . filled with pre-cut and pre-weighed meats, safe and sanitary in their transparent wrappers.

The soft-tinted walls, convenient check-out counter and other aids to easy shopping—all testify to the great changes that have taken place in stores of all kinds.

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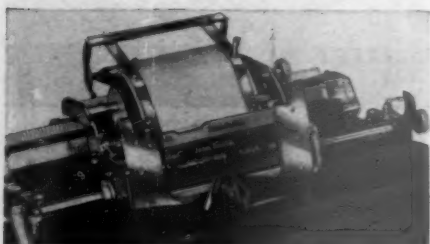
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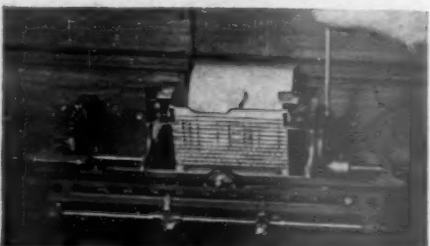
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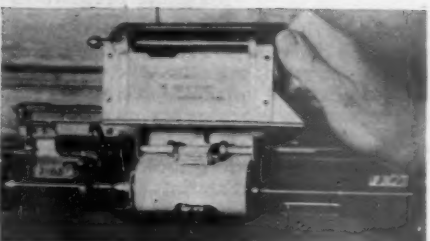
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cepts on the gauges. It's as black as the inside of a fuel oil tank up there, and on those head-on approaches things happen fast."

"Don't worry," said Danny Daniel. "My boys won't let you run into anybody."

"I know, I know," growled Curly. "If I do exactly what you tell me to nothing can happen. But maybe my compass yaws a little bit, maybe sometimes even I serve a degree or two off course. . . ."

At this point the communications orderly handed Admiral Day a dispatch which had just come in by radio.

"From: Com Pat Wings Lant Fleet

"To: Com TG 81

"During intercept exercises last night jet fighter came too close and chopped vertical stabilizer off P2V. Jet pilot bailed out and was rescued. P2V landed safely. Propose increasing minimum allowed range on night intercepts from 500 yards to 1,000 yards. Advise."

Admiral Day read this dispatch to the assembled group and said, "How about it boys? How shall I answer it?"

"I suggest hell yes, . . . sir," said Curly Cue.

Admiral Day handed the dispatch back to the orderly and said, "Tell the watch officer to answer affirmative."

As indicated by this dispatch the Pat Wings were busily preparing, too. Admiral Bates had his P2V squadrons up day and night, working with F-86 Sabre jets of the Air Force. The P2V gunners took miles of camera gun film and spent many hours studying results.

The day of the big battle turned out to be hazy. This produced several snafus for Pat Wings Lant. Two hundred P2Vs scoured the Atlantic looking for the *Okinawa* and couldn't



find her. The ocean is vast and a highly mobile task group is easy to miss on a hazy day.

At various times, half a dozen P2Vs got within 50 miles or so of the *Okinawa*, with Banshees buzzing all around them, but they didn't find the ship. Finally a cagey P2V pilot followed a Banshee which had to limp home on one jet and the elusive carrier was found.

Late in the afternoon the first wave of 24 P2Vs roared out from Norfolk with Bugler Bates in the

lead plane, headed for the *Okinawa's* reported position. They climbed to 30,000 feet and settled down to cruise in formation until they reached the fan-out point several hundred miles from the target.

So far things looked rosy from Admiral Bates' point of view. The *Okinawa* couldn't elude his gang now, and they would catch her about six hours before she reached her launching circle with all her bombers on deck. Their attack would be made in the middle of the night and no matter how good her night intercept-



tors were, some of the bombers were bound to sneak through undetected. Several scores of long standing against Admiral Day would be evened up by sunrise.

Shortly after sunset disaster struck the task group in the form of dense fog. Carrier controlled approach is okay in a pinch, if you've got some ceiling and maybe half a mile visibility, but in zero zero at night, carriers just don't fly.

On the flag bridge of the *Okinawa* gloom was thicker than the fog. A P2V on instruments wouldn't be bothered at all by fog. With its search radar and radar bombsight, it could find and attack the *Okinawa* just as well as in daylight. It looked like the task group was going to get knocked cold, and Admiral Day took a dim view of his next meeting with Bugler Bates.

The admiral conferred with his chief of staff about the possibility of postponing the exercise.

"No chance at all, sir," said his chief. "We agreed to take the weather as it came, just as we would have to do in wartime. The P2Vs are probably on their way out right now and I'm sure Admiral Bates won't let us get off the hook on account of weather."

Cmdr. Curly Cue, who had been listening in, piped up: "Admiral, I've got an idea which might possibly get us out of this jam. It's one of those things that you might just as well try because we can't possibly lose anything and we might gain something."

"You can't put planes up in this stuff," growled the admiral. "I wouldn't even think of it."

"But sir," said Curly, "the P2Vs don't know what the weather is down here. I want to put some phonies up there and make the P2Vs think we're flying as usual."

"What good would that do?" de-



manded the admiral. "You won't kid anybody except yourself." But Curly had a gleam in his eye. The admiral saw it, recalled mentally some remarkable things that had happened in the past under similar pressure. "All right," he said. "Go ahead."

Curly turned quickly toward the Combat Information Center and as soon as he got there barked, "Get the squadron commanders and about a dozen of their pilots up here right away. Man all CIC stations for flight operations."

"Aye aye, sir," said the duty officer with a shrug, looking knowingly at one of the radar operators and making circular motions with his forefinger pointing at his head.

When the jet pilots assembled, Curly outlined his plan.

"The idea is to put out the same line of chatter on our fighter director frequencies tonight as we would if we had a big combat air patrol up. Those P2V pilots are naturally going to listen in on our frequencies the same as we do on theirs, so let's give them something worth listening to.

"Each of you fighter directors pair off with about four pilots, hand the mike back and forth and make like you are actually running intercepts on any bandits that appear. I'm going to turn the power way up on our transmitters so they can hear us a long way off and maybe we can



make them think we are strafing hell out of them."

"So what?" asked Danny Daniel. "They will get in their attacks anyway and we can't make any claims. We'll just have to admit they caught us flat-footed."

"You just watch and see what happens," said Curly. "I've got a few punch lines to stick into the script of this broadcast at the crucial points."

So the *Okinawa* went on the air waves and "launched" 24 Banshees. The pilots climbed to altitude, checked in with the CIC controllers, and received their instructions for orbiting until bandits were sighted, just as they would have done on an actual operation.

At this time the P2Vs were coming within range of the *Okinawa's* souped-up transmitters. There was no moon, and it was pretty black and hazy. Soon Admiral Bates' co-



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pilot said, "I hear 'em admiral. Sounds like they are just launching their planes."

The admiral nodded and switched the plane's intercom to the task group frequency so the whole plane's crew could listen in.

Over the intercom came the word, "Okinawa to flights one, two, three and four—report number of planes in company with you."

Each air patrol leader came back with the same report: "Six."

The copilot looked at Admiral Bates. "Twenty-four jet fighters up on a night like this?" he said. "They'll have trouble controlling them. I'll bet some will get in their own way."

"Yeah," said the admiral pensively, "or in ours maybe . . . flash your lights and start the boys fanning out."

Soon the picket destroyers, whose radars also could see through fog, spotted the incoming P2Vs and flashed word to the *Okinawa*. In CIC the fighter director officers went to work, broke off pairs of Banshees from each imaginary patrol and started vectoring them out to intercept the various bomber groups.

It was easy enough for Admiral Bates, watching his own surface radar scope on which the *Okinawa* was now visible, to dope out that the pair of fighters vectoring 270 was the one trying to intercept him.

Soon the air was full of radio traffic. The picket destroyers spotted more P2Vs coming in from all directions, and the fighter directors vectored more imaginary jets out to meet them. Despite the fact that they had to handle many targets and 24 fighters at once, there was little confusion. Six pairs of Banshees got their vectors, rogered for them, and were on their way without jamming the frequencies.

The copilot remarked to Admiral Bates, "They've got good radio discipline—these guys are professionals."

"Yeah, they're pretty good," said the admiral, staring intently into the blackness.

Then the *Okinawa* ordered, "All fighter planes turn out your lights. We will make these attacks under war conditions."

"What the—?" growled Admiral Bates, stiffening in his seat. "Those guys must be nuts. It was agreed we would use lights. . . . Well, we've got ours on. If they run into each other it's their funeral."

The admiral picked up his mike and broadcast to his group: "This is Admiral Bates, all P2Vs make sure your lights are on. Night fighters are coming in without lights."

Before he was half through, the

*Okinawa's* direction finders, who had been waiting for the squadron commander to identify himself, pounced on the transmission and got an accurate bearing. "Two Seven Zero," they reported.

Over the intercom in the admiral's plane the order came in: "*Okinawa* to cap four, vector four more planes two seven zero. We will make a three-way split attack on target approaching on that bearing."

"Six of them coming in at us in this soup!" muttered the admiral.

The *Okinawa* was still 100 miles ahead of Admiral Bates and the six jet fighters, according to the chatter on the radio, were converging on him at speeds as high as 600 knots—one mile every six seconds. Vectors to the fighters came fast now. Apparently the task group fighter directors meant to bring six Banshees in on one target almost simultaneously.

Then came a plaintive call from one of the Banshees. "*Okinawa*, this is cap four baker—I can't see a thing ahead of me up here."

"Roger cap four baker. Keep going. Don't worry, we won't let you hit him."

By this time Admiral Bates and all his people in the P2V were in cold sweats. Suddenly there were six



jubilant tallyho's over the radio in rapid succession.

The admiral grabbed the mike and asked his tail gunner, "How close did those guys come?"

"Too close for comfort, admiral," huskily replied the gunner, who couldn't see a thing but had heard every word over the intercom.

A few seconds later the following came in out of the night: "*Okinawa* from four baker, I didn't like that run. You brought me in too close. I almost chopped his tail off."

"*Okinawa* to four baker. Roger. Sorry. We'll be more careful next time. Rendezvous with your section leader for another attack."

That was enough for Bugler Bates. He made some blistering comments,



winding up with, "Let's get out of here while we're still in one piece."

Grabbing his tactical mike he broadcast: "This is Admiral Bates. Exercise canceled. All P2Vs return to base. Reverse course immediately and get out of this rat race."

The other P2Vs who also had been eavesdropping rogered promptly and cheerfully. The nearest P2V at this time was 45 miles from the *Okinawa*.

Down in the *Okinawa's* Combat Information Center, Curly Cue finally made himself heard over the jubilant whooping and hollering and yelled: "Get back on those microphones—every one of you guys. We've still got 24 planes to bring down out of the soup. We can't just cut off the program and leave them—and our public in the air."

As soon as Admiral Bates' plane rolled to a stop in front of the tower at Norfolk the admiral scrambled out and burned up the direct line to Radio Washington with the following dispatch.

"To: Com TG 81

"On tonight's exercise I personally observed flagrant violations of safety rules by your planes. Fighters operated without lights and hazarded lives of P2V crews by making dangerously close passes. In two cases collision averted only by expert evasive action of P2Vs. Recommend drastic disciplinary action on offending pilots."

This dispatch was delivered to Admiral Day on the *Okinawa* just as she broke out of the fog an hour before dawn 500 miles from New York and started launching her bombers to attack the city. Admiral Day wrote his reply in high glee, checking the wording carefully with his legal officer.

"To: Com Pat Wings Lant Fleet

"Replying to your message—believe there is some confusion about what happened last night. My planes did not operate with running lights turned out and careful questioning of all *Okinawa* fighter pilots convinces me that no planes from task group approached within 1,000 yards of P2Vs. Respectfully submit your planes were not actually in danger."

As the last plane of the bombing attack rolled off the bow, Curly Cue said to Admiral Day:

"When Admiral Bates finds out what actually happened, I won't dare go ashore in Norfolk any more."

"Okay, my boy, don't you worry about that," said Admiral Day. "Old Bugler ought to know by now that if you believe everything you hear when you're eavesdropping on a party line you may get booby trapped into jumping to conclusions."

END

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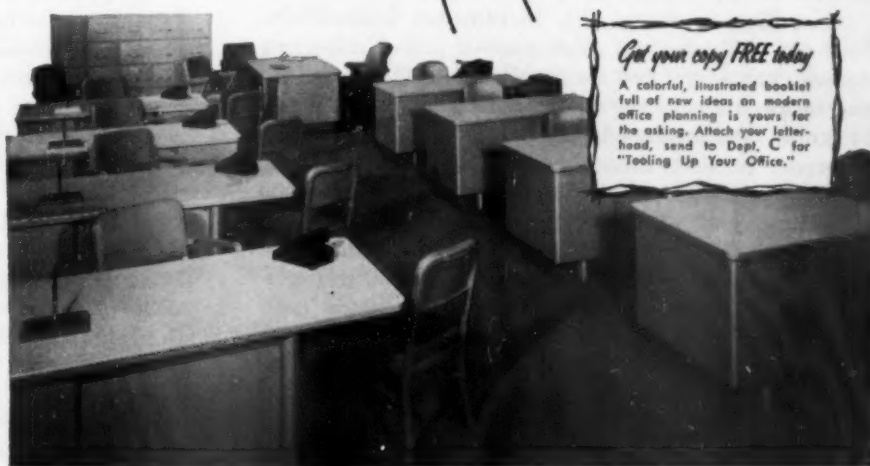
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# Middle east

**A** HANDFUL of relatively insignificant Middle Eastern states and sheikdoms have the power to affect vitally the free world's way of life.

Whenever the Middle East flames into headlines, as it does with increasing frequency, the pulse rates of busy and important men all over the free world quicken. A seismic reaction is felt in the board rooms of corporations, international banks, and world-girdling shipping companies.

And the time is close when the same faintly convulsive reaction may be recorded in homes, offices, shops, factories, bistros and pubs of nearly 350,000,000 Europeans living this side of the Iron Curtain, as well as their 160,000,000 friends in the United States.

The substance of that power is oil.

Oil is a magic word. To those untutored in its intricate implications, it evokes dazzling images of enormous wealth—erstwhile Texas cowpokes corralling herds of Cadillacs and recently ragged Mohammedan potentates churning up the desert sands with fleets of gold plated, refrigerated Daimlers and Bentleys.

Such images fascinate, but they mislead—the worst thing about them being that they inhibit us from reading the headlines in terms of our own interests. As Michael L. Hoffman recently pointed out in the *New York Times*, the trouble is that “there are probably not more than a few dozen people in the world who would even pretend to understand fully this vast industry on which kingdoms depend and continents thrive or languish according to its fortunes.”

Since the fortunes he's talking about are basically our own—yours, mine and that of the nation—it would seem that now is a good time to put down a few facts which may help dispel some of this ignorance. As should be customary, these facts begin at home.

According to *World Oil*, an industry journal that does an assiduous and authoritative job of collecting figures, during the first six months of 1953 we used oil and oil products at the rate of 7,704,000 barrels every 24 hours. We produced 7,134,000 barrels a day. The difference between these figures is the measure of our current oil deficit—a whopping shortage of 650,000 barrels a day.

Big as it is, that shortage is only the beginning of the problem we now face.

Never before has our domestic oil industry used more money and know-how in the quest for new oil than during the first six months of this year. Because of this effort, we produced 429,000 barrels more every 24 hours than in the same period last year.

But at the same time our daily consumption went up by 505,000 barrels daily. This means that despite

the industry's best efforts, our oil deficit was not reduced, nor even made to stand still. It grew, instead, by the margin of 76,000 barrels a day.

In the 96 years that make up our oil history, we steadily produced more and consumed more than any other nation. In that time we have drilled more than 1,000,000 wells—counting producers as well as non-productive dusters. Despite new pools that are constantly being found and developed, the first fact about our current oil position is that we are not self-sustaining, nor are we likely ever to be again.

When a nation begins to use more of any commodity than it produces, two additional factors become paramount. The first is a consideration of the reserves on which it must count in times of emergency, and the second is the adoption of such policies as are calculated to develop and protect all available sources.

Examining our reserve position, we again find a situation that can only be described as one of galloping deficit.

Five years ago it was estimated that our known underground oil deposits contained 21,000,000,000 barrels, which at that time was reckoned as enough to last us 20 years. The most recent estimate is that our reserves have grown to 28,000,000,000 barrels.

Meanwhile, however, more cars and trucks have poured out onto America's highways, railroads have bought more diesel locomotives, and more home owners have put in oil heaters. Factories and farms use more oil.

American demand for oil has increased so sharply that present proved reserves could be exhausted in a dozen or so years. This means that we could run out of oil before the new car you bought today is finally and irrevocably ready for the junk yard.

Nothing of the sort will happen, of course. The curves plotting production, consumption, and reserves are bound to be far more gradual. But such an example serves to emphasize an essential truth: Where heretofore the prospect of eventual exhaustion of our oil reserves has been largely a matter of controversy and speculation, now it is merely a matter of time.

Although the point at which depletion becomes critical can be postponed by increased imports from our hemispheric neighbors—such as Canada and Venezuela—a global emergency could, and might, create a situation in which their reserves would be as important to us as our own, being relatively nearby and therefore more safely and conveniently transportable.

While our oil deficit has been mounting, and the potential life of our known reserves shortening, British and American money and know-how have been busy



# oil reacts here

discovering and developing a staggeringly big oil cache in the Middle East. That this area contained rich deposits has long been known or suspected, but it is only since 1951 that we have come to appreciate how fabulously rich they are. Today, more than three fifths of all the oil known to exist in the world lies beneath these arid, camel-trodden wastelands.

The big Middle East headline of 1951 was the expulsion from Iran of the Anglo-Iranian Oil Company, the principal proprietor of which is the British government. Mohammed Mossadegh, the former Iranian prime minister who engineered the expulsion and the nationalization of the British company's properties, seemed confident that the loss of the 664,000 barrels of oil Iran contributed daily to the world oil market would result in such severe dislocation of markets and prices that not only Britain but the United States as well quickly would be suing him for settlement on his own terms.

Mossadegh couldn't have been more mistaken. For what did happen was simply that the seven oil companies (Anglo-Iranian, Royal Dutch Shell, Standard of New Jersey, Socony-Vacuum, Standard of California, Texas and Gulf Oil) operating in five neighboring Middle Eastern states and sheikdoms (Iraq, Saudi Arabia, Kuwait, Qatar and Bahrein) stepped up their production with the result that in a matter of months the loss of the Iranian oil was not only made up from these adjacent areas, but overcompensated.

In figures, the measure of the performance was this: In 1950, the last full year before Mossadegh's action, the Middle East produced 636,000,000 barrels of which more than a third (241,000,000 barrels) came from Iran.

In 1952, the first full year after nationalization in Iran, Middle East production was up to 760,000,000 barrels, of which virtually none came from Iran. In the world market, Iranian oil was no longer a factor. It was, in fact, not even wanted.

Then, in the middle of this year, Iran made big headlines again. This time the politically bankrupt Mossadegh was swept from power to jail, to be replaced by a government which has already begun to send out feelers in an effort to get back into the oil swim, and regain some of the income Mossadegh threw away, with a minimum loss of national face. But this will take a lot of ticklish doing.

In the first place, Iranian oil cannot now claim its old place in the world market without substantial investments of new capital in production and refining facilities that have deteriorated from disuse or been partially wrecked by petty pilferage. In the second

place, its 664,000 barrel-a-day production of 1950 cannot now be absorbed without serious cutbacks in production elsewhere.

Production cutbacks in other Middle Eastern states would have serious political consequences. During the past two years the governments of the other oil producing Middle Eastern countries have enjoyed unprecedented incomes and most of this money—regardless of stories that are told—has gone to raise the living standards of the people. A serious reduction of income from these governments could, and probably would, produce or intensify internal political frictions that would endanger the whole of Middle Eastern production.

Since the free world cannot go on living and growing as it now does without increasing dependence on Middle Eastern oil, to do anything that might disturb the equitable relations now obtaining would likely prove a particularly painful folly.

At the same time, even though some Britons would doubtless like to see them punished even more severely than they already have been through loss of oil income, the Iranians cannot be condemned to go on forever enduring the hungry consequences of Mossadegh's breach of contract.

Our own best interest, and that of Britain, too, dictates that we should make and keep all the friends we can in that corner of the world.

It is inevitable that Iran must, at some time, by some means return to the world oil production picture and, unless intergovernmental agreements effecting production cutbacks elsewhere are reached, it is also inevitable that the world will feel the disturbing effects of Middle Eastern oil surpluses. In such a situation, according to some views, our own best interests now, and our future security, may be served by increasing imports of Middle Eastern oil.

In the U. S. oil industry "import" is a fighting word. Thousands of independent oil producers, governors of oil producing states and some members of Congress are prone to work themselves into an apoplectic lather at the sound of it.

They argue that unrestricted imports will lead to "dumping" and ruinous price wars; that small, independent producers will be destroyed; that more Middle Eastern oil flowing into the United States will make the "big five" U. S. companies operating in the Middle East too big for the country's good and many other things.

But the fact is that this country now has a deficit of 1,000,000 barrels of oil a day and is importing that amount from various foreign countries.

**END**

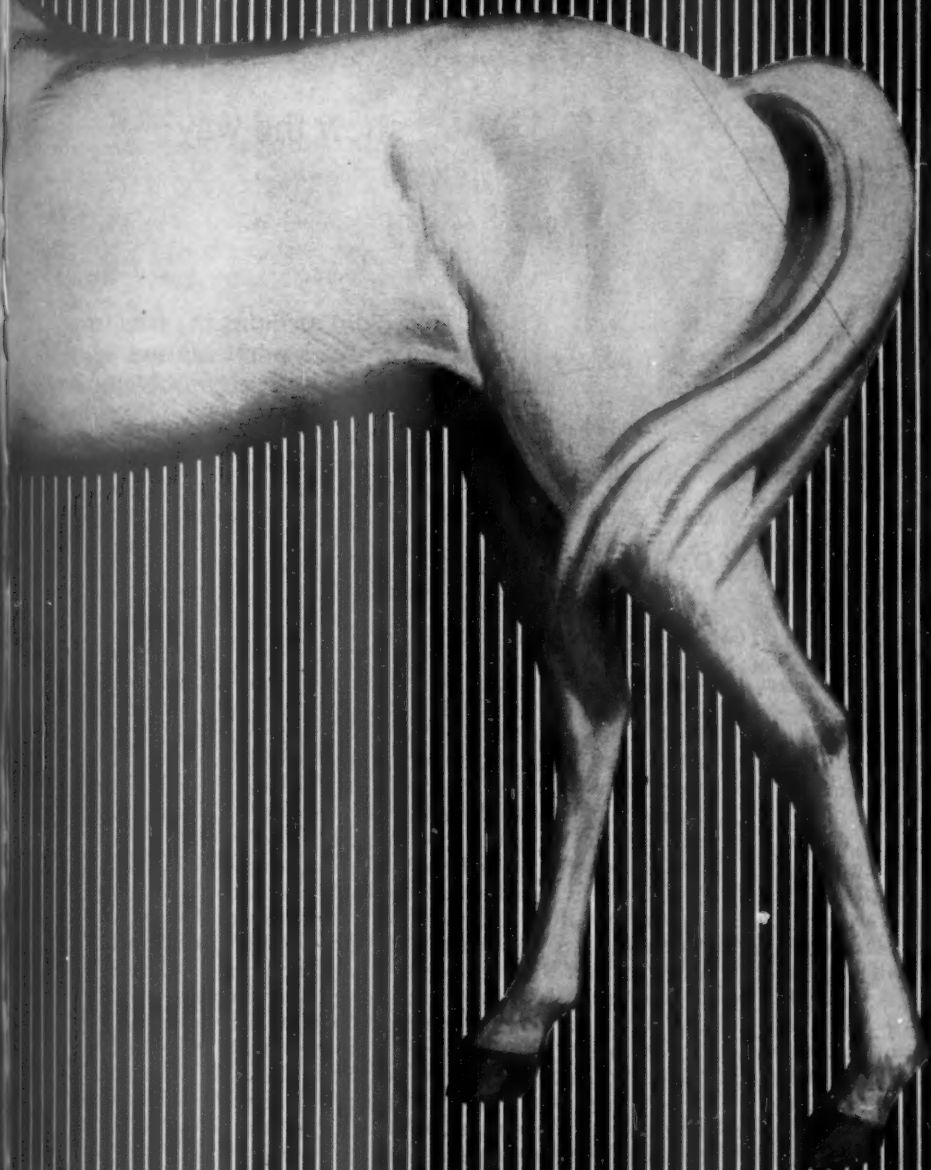
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# Let the people lead the town

The best way  
to get a following  
is to let  
the followers  
show the way



*Dr. Max Wolff explains the way to win widespread participation in working out community problems*

By MORTON M. HUNT

**I**N Rye, N. Y., half a dozen years ago, traffic was running a close third to death and taxes as a loathsome affliction.

"Why," wailed visitors to Rye, "don't they do something about it?"

The fact was that a group of experts had worked out a magnificent solution to Rye's problem—but the citizens had voted it down.

"It doesn't make sense," growled one furious town planner. "What's the matter with these people?"

What he didn't realize was that the fault wasn't in the people, nor even in the plan, but in the planners.

Rye is a residential town of about 12,000, not far north of New York City. It was marred by an ugly, congested shopping district. Stores were crammed close together, the parking facilities were terrible.

Fully a decade ago Rye officials, recognizing that something ought to be done, had set up a planning commission to study the problem. After years of deliberations, the commission produced a brilliant brochure.

It outlined a glittering program: There would be a wide grassy mall down the center of town, flanked by spacious modern stores. No traffic could enter this area, but all around the outside, behind the stores, would be roomy parking lots. Shoppers, merchants and traffic would all be better served. It would cost about \$600,000.

The trouble was that this entire project had been worked out on top, and handed down to citizens for

a rubber stamp yes. People in Rye had heard about the fine new plan in the newspapers but that was all. They themselves hadn't looked into the problem, hadn't been encouraged to think about it and help find answers. The plan sounded good, but the voters—and taxpayers—of Rye just didn't feel personally convinced about spending all that money. So when the referendum came up, they voted no.

The brochure has been gathering dust ever since.

This kind of balkiness is a thorn in the side of many a well-meaning fellow who spends countless hours working on some worthy project for his community, only to find that nobody wants it or nobody cares.

The trouble lies with the do-gooder himself, according to the results of a new sociological survey.

Dr. Max Wolff, one-time judge, and well-known pioneering sociologist at Teachers College, Columbia University, was for some years the trouble-shooting community consultant of the Commission on Community Interrelations. In trying to help people in disturbed communities work out solutions for their problems, Dr. Wolff became aware that "there is an unbelievable amount of good will available—and an unbelievable ineffectiveness in applying it to practical purposes." This aggravated him; he decided to find out what patterns of community activity succeed, and which ones flop.

In search of that answer, Dr. Wolff has just completed the scientific dissection of 2,000 community case

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histories. One of his conclusions is that a principal reason why community leaders fail is that they try too hard to do all the work. They want to "run things." But communities in a democratic society don't function right when people run them. They get balky, ornery, unreasonable and cantankerous.

Maybe you'd like to see your community improved for the sake of your own business—with better traffic control, better-trained labor, less sickness. Maybe you simply want your home town to be a finer place for you and your family to live—with less crime, new schools, better water supply.

In any case, how should you go about trying to do something about it—should you pull the community by the head, or should you get it to figure out for itself where it ought to go?

Dr. Wolff's studies show that one way works well, and the other generally doesn't work at all.

HE points out, for instance, that one of our nation's biggest appliance manufacturing firms decided a few years ago to improve its community relations. An executive urged his factory managers in a dozen towns to become active in community life, to do something good for the community and bring prestige to the firm's name. Within months, letters of protest were pouring in, union-management relations were coming apart, and local opinion of the firm was worse. In every community the reaction was the same: "What are they trying to do—run this town?"

A sharp contrast to this was provided by Setauket, a quiet rural community of 3,000 far out on Long Island. Setauket had a dingy, overcrowded old wooden school building, quite inadequate for a modern job of education. State officials wanted to send Setauket children to a newer school in a nearby town, but Setauket wouldn't have it. They wanted their own school; yet three times when the school board recommended a bond issue for a new school building, it was turned down.

Finally the school principal, Paul Gelinas, read an article by Dr. Wolff on the difference between working for and with communities. He decided to take a new tack. With one or two members of the Civic Association he began quietly asking everyone he met around town: What do you think we can do about a better school? What sort of improvements should it have? How big should it be? What would you be willing to pay?

A few men asking these questions again and again began to excite in-

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terest. Several weeks later the Civic Association called a meeting and asked each of the 30 social, business and church groups in town to send delegates to talk about the school problem. Not one group failed to send its people.

"We're not here to give you answers," a local merchant told the delegates. "We want the answers to come from you. Will you go out and get them for us?"

That night, committees of citizens were set up to study every aspect of the problem. One group was to consult architects and books of school design; another would study a budget; a third would find out what a new school would do to tax rates; others would look into questions of ventilation, modern heating techniques, the kind of staff needed, and so on.

Each committee asked for volunteer help in town. Again and again it was made clear that nobody was campaigning for one kind of school or another, but rather everyone was trying to figure out which kind was best.

After three months reports were turned in to the newly formed United School Committee. Findings were published in the local papers, and the people who had worked on them kept explaining the whys and hows to friends and neighbors. A week later the town held a referendum for a \$634,000 bond issue and voted yes by a seven-to-one margin.

**TODAY** Setauket's school, handsomely modern and winner of awards for excellence in design, is the town's pride and joy. The children are getting a richer education, and the adults have a fine place to focus their evening activities. It is something they all helped work out.

Now back for a moment to Rye. That story didn't end so badly. A few years ago, Rye finally did something roughly comparable to the Setauket study. The planning commission invited nearly three dozen organizations of all sorts to send representatives to help work out the details of a parking and traffic-improvement program. In a number of hot, sweaty, talkative sessions the people hammered out a compromise. The grassy mall and the modern facade were out; but off-street parking, involving expensive condemnation proceedings, was in. The proposal—costing \$500,000—was voted in solidly.

The unexpected dividend in using the method of widespread activity is a new community spirit. Prejudices are erased, apathy dissipated, people feel they belong together. In Rye, half a dozen other programs of town

improvement have successfully followed the parking plan. In Setauket, businessmen who worked together on the school committee have, for the first time, been able to organize their own chamber of commerce. Town social activities, centering in the new school, are at an all-time high.

When Dr. Wolff decided to dig into the case of the cantankerous community, he asked the General Federation of Women's Clubs to let him analyze the submitted case histories in the national community-betterment contest they had just run. At the same time, he wangled Carnegie Foundation funds from the Institute for Adult Education at Teachers College to pay the expenses.

**DR. WOLFF** worked out a nine-page, 199 question analysis, based on modern sociological principles. With the help of 20 graduate students, he evaluated each of the 2,000 histories of community activity, and followed up his work with letters, phone calls, and as many personal visits to communities as his budget would allow. As a result, he sees a clear pattern:

"In less than 20 per cent of these case histories," he says, "all of which were supposed to be examples of community self-improvement, can you find any real evidence of widespread participation. In most of them you read about small high-powered groups of do-ers who figure out what should be done, sometimes letting the people help a bit. Our analysis indicates that most of the results were definitely less than satisfactory—and the extra dividends of a new community spirit are missing.

"On the other hand, in that small percentage where wise leaders tried to encourage thinking and self-inspired planning among broad segments of the population, the results are excellent, and the by-products, though hard to measure, are unmistakable and most impressive."

Failure to understand all this has cost many an American businessman plenty of good dollars. A businessman gets used to executive efficiency, quick decisions, clear-cut action. When he takes things in hand they, by George, get done!

But democracy doesn't work that way.

A typical complaint reaching Dr. Wolff's desk last month from Ohio read, in part: "Why has the community attitude toward our firm remained so poor? We led the way in the hospital drive, gave three times as much to the Community Chest as any other corporation in town, and furthermore paid off the deficit on the old folks home."

In Connecticut, a wealthy factory



owner recently offered to build and donate to his town a fully-equipped YMCA building. He was offended when the council politely refused the gift. The council didn't really know whether the town needed such a thing; but they did know that it would take a staff to run it. Hence the YMCA would be a continuing expense. Finally the outraged philanthropist put up that money, too, and managed to cram his gift down the town's throat.

For contrast, take a look at Lyons Falls, a town of 1,200 in central New York. It has long been sustained by its one big industry, a paper mill. For many decades the owners were able to run the town very much their own way. Their generosity—when it was in season—was the source of whatever civic improvements there were. People had the fatalistic do-nothing attitude so common in one-company towns. Younger people didn't care for the atmosphere, and Lyons Falls was slowly withering when the Continental Can Company bought the plant in 1946.

Continental wanted to expand the plant, but no more skilled labor was available in Lyons Falls. They asked outsiders to come in, but when job seekers drove in for a look, they said, "No, thanks," and drove right home again. Practically no housing was available for new people, and the school and recreation facilities were inadequate.

At this point, the plant's new manager, Roy Shaver, figured the only answer was to spark up the town—but the sparking had to come from the townspeople themselves. He asked the school principal, the mayor, clergymen and other leading citizens to talk things over.

"The company," Mr. Shaver said, "doesn't mind spending time, effort and money to help develop Lyons Falls. But we think the ideas have to come from you as much as from us. We'll meet your initiative and match you in effort."

With the challenge thrown to them, the people of Lyons Falls began to test the company's new policy. One group called to tell Mr. Shaver how the school program should be improved by additional services and a larger staff; he promptly agreed to go along with the higher tax rates that would be necessary.

But new teachers wouldn't move into the town unless houses were available. So the company offered, not to design and build houses themselves, but to lend money on low terms. It went even further—company bulldozers and operators cleared land and dug basements, on

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which townspeople then built houses to their own liking. Two dozen new dwellings were added in this way within a matter of months. Another citizens' committee, using empty houses as bait, managed to lure teachers into town, and got a doctor to come to Lyons Falls—the first one to live there in years.

Another group of townspeople formed a recreation committee. They consulted experts, spoke to their fellow citizens, and came up with plans for a park area with playground, picnic sites and an athletic field. The company met them halfway again: It donated land, lent bulldozers, trucks, and the help of engineers—but provided none of the ideas. The design was the work of several town clubs and committees. Supplies were given or sold at cost by merchants.

As things got under way the feeling in Lyons Falls began to change. Relations with the company are on a totally different plane. But more than this, Lyons Falls isn't a dormant and unresponsive place any longer. Citizens are buzzing with plans, including a swimming pool they want to build. The citizens' council made so much talk in State Highway offices that they won a bypass of the main highway at state expense, taking the heavy traffic load off of town streets. Two supermarkets have come into the area. The somnolent Players Guild has come to life and is putting on three plays each season.

The story is not perfect; few are. Despite all these changes, the number of new people attracted into town has not been as great as the company needed. Due to special circumstances, Continental Can has had to sell the mill. But the new owners have indicated to Dr. Wolff that they intend to continue and extend this modern kind of business-community relationship.

A manufacturer recently asked Dr. Wolff to give him a blueprint for getting the citizens of his town to clean out the city hall graft, to stop the waste of money that should have been going into a better transportation system.

"I wish I could give you such a blueprint," said Dr. Wolff. "But that's exactly what I can't do. As a consultant, I can work along with committees of townspeople—but if I tell them just what to start doing, I am bound to fail for myself and fail for them."

Nevertheless, there are a thousand possible ways in which a community can solve any one problem. Dr. Wolff is planning to keep a file of case histories of community activity in a kind of clinic and clearinghouse where representatives of troubled

towns can read how towns like their own, with problems like their own, met and conquered—or failed to conquer—a challenge.

He is also working with the General Federation of Women's Clubs on a pet project of his own—a national conference on community problems and techniques of action which, it seems likely, will be sponsored by the White House itself. Meanwhile, Dr. Wolff is using his survey results in direct community consultation, and in consultation with industrial firms that have problems in their relations with towns.

The one thing Dr. Wolff always preaches is the value of drawing large numbers of people into whatever project is under foot. His favorite technique, known as "self-survey," is working in his own community. New Rochelle, a well-to-do city of 60,000 on the north shore of Long Island Sound, has no catastrophic problems, but it did have a woe-ful lack of recreational facilities. Teenagers were getting into mis-



chief, old folks had nothing to do, slum areas had increasing rates of juvenile delinquency and disease. But nobody did anything about it.

Four years ago the State of New York offered to deed a three-acre tract near a slum-area housing project to the city; the state would turn it into a park if the city agreed to maintain it. Yet the City Council turned down this gift in order to avoid the cost of its upkeep.

Letters of protest came in from local clubs and associations and would probably have meant little but for a small civic group called the Council for Unity. This group invited each protesting organization to send two representatives to a meeting. At that meeting, Dr. Wolff—present this time as a citizen of New Rochelle—explained the uses of the self-survey for arousing popular feeling in the recreational problem.

Those present liked the idea and went back to sell their own organizations on it. The next week they all sent delegates to a larger meeting at which 25 groups were represented, ranging from religious organizations and veterans' associations to business groups and bridge clubs. As plans for a self-survey were worked out during the evening, delegates of the Community Chest popped up,



offering to pay for the costs of the survey.

Through their representatives, each of the participating groups—which eventually numbered 67—pooled their ideas as to the kinds of questions that should be asked. About 300 volunteers did the doorbell ringing and question asking. And through those 300, many thousands of New Rochelle's people got to hear about, think about, and help in the survey.

What were the results?

First, pressure on the City Council became so great that the state's park offer was quickly taken up. The survey committee also advised the Recreation Commission that all too few in New Rochelle knew just what facilities already existed. "How about doing a publicity job so that we can make some use of what we already have?" they asked. The Recreation Commission is now setting up such a publicity service.

The surveyors also found that a lot of people want a skating rink. With the facts in hand, the Recreation Commission is looking around for a suitable site and is gathering data on costs.

At city expense, due to the suggestions and pressures of the survey council, several "kiddy coops"—protected play areas with benches and sand piles—are being built in crowded residential areas. In these same areas the city is giving free classes in handicrafts at night.

The Council of Social Agencies which sponsored the survey has helped to set up a workshop at the YMCA where elderly people meet three nights a week to learn handicrafts and pick up extra money.

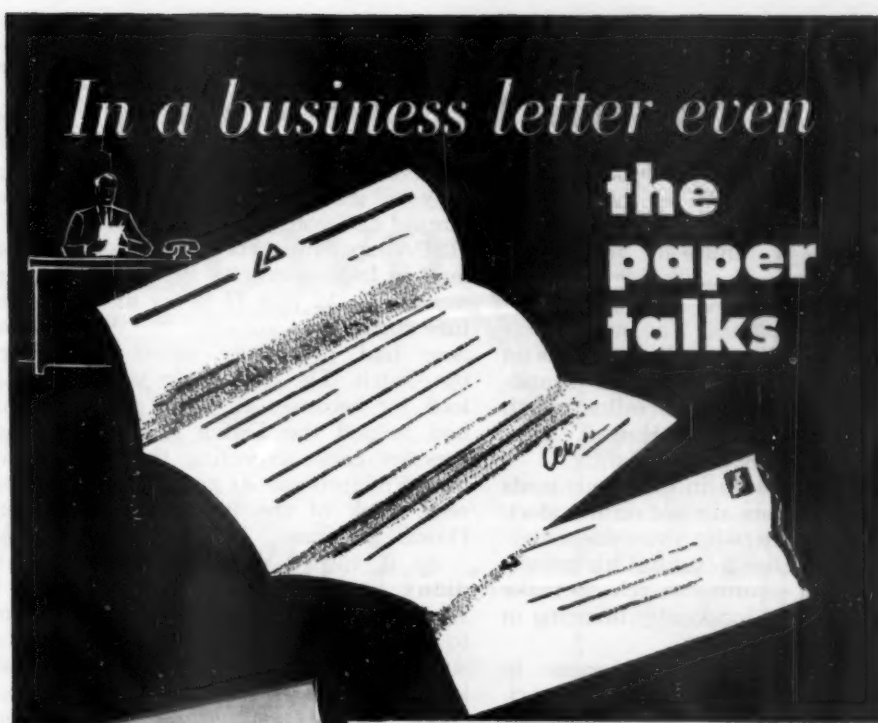
The Boys' Club of New Rochelle, able to raise donations now that townspeople are aroused, has just completed a paved play area with a handball court and other facilities in a Negro slum area. In another slum area, several businessmen are turning a vacant lot into a playground.

These are merely the highlights of the results growing out of the New Rochelle self-survey in the past year. Only time will show up the other by-products in the form of a better-functioning town and greater interest in town affairs.

Self-surveys aren't easy to run; they're cumbersome, slow acting, full of arguments. That's democracy for you. Like a truly fine marriage, it doesn't just happen—it takes a lot of doing. But like a good marriage, it has no substitute.

Next time you get personally excited about something in your own community, give this modern—yet oddly old-fashioned—method a try.

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## Hawaii Leaves No Soil Unturned

(Continued from page 41)

borer that riddled the cane. This time the parasite that controlled the borer was a minute fly, introduced after many discouraging failures, from New Guinea. This was before the days of planes. The bug hunters had to establish breeding stations on intermediate islands, then island-hop their prized parasites north across the Pacific to Hawaii. Now planes fly them in overnight.

Planes also fly in rapacious pests if the islanders are not on the alert. This explains why everyone entering Hawaii has to submit his possessions to a rigorous search, to make sure he is not innocently bringing in a million-dollar pest.

Hawaii's prodigious increase in sugar yield has come about primarily through patient breeding of finer cane varieties.

Out of 100,000 crosses a year, the hybridizers are happy if they find one progeny that promises more sugar, greater resistance to disease, or better growing habits.

Revealing the lengths to which they will go to get better strains, Dr. Harold L. Lyon, retired head of the HSPA experiment station, plotted to land in Indonesia with the Marines during World War II to try to capture sugar cane varieties the Japanese had previously taken from the Dutch. Dr. Lyon knew what to look for because, 42 years ago, he had helped the Dutch upbreed a superior cane, expecting that they would reciprocate by giving Hawaii seed stock of the improved cane. Hawaii got none.

As it turned out, the Marines didn't liberate Indonesia. So Dr. Lyon arranged for two HSPA men to land on Formosa with U. S. forces, suspecting that the Japanese might have transplanted the Dutch strains there.

He was right. His men found two prize varieties, offspring of the crosses Dr. Lyon had made many years before. The grateful Chinese presented the Americans with sample cuttings which were flown to

16,000-acre Wahiawa Plantation of the Hawaiian Pineapple Company on Oahu. He has been growing pineapples for three decades. He has 125,000,000 pineapple plants thriving on the broad Oahu plateau above the sugar cane belt.

The pineapple crop is the natural complement of sugar growing; the pineapples thrive at slightly higher elevations than the sugar cane, which is grown only in a narrow strip near sea level.

Unlike sugar cane, pineapple has balked at being upgraded. Experimenters have been working at remodeling the stubborn plant for years. So far no cross has been better than the Smooth Cayenne, imported from the West Indies half a century ago.

But the scientists have tricked the Smooth Cayenne into yielding in Hawaii as it never did back home. Like cane, pineapple plants start from cuttings, which are small six-inch shoots taken from the tops of the fruit or from branches off the stems of the mature plants. The cuttings produce a first crop at the end of the year and a ratoon crop the following season. After that the lush, waist-high plants have to be chopped up by big machines and turned under.

Thus, before the cuttings are planted, about 100 tons of foliage per acre is chopped and buried to add humus to the red volcanic soil.

While they are at it, the cultivators pump a liberal dose of soil fumigant into the earth. This is to cut down the population of nematodes and other root borers which once threatened to wipe out the industry. Growing pineapple is more than farming; it is a continuous battle with natural enemies until the fruit is harvested.

Immediately after the soil fumigant is injected, the machines lay strips of mulch paper, one foot wide, through which holes are punched for the planting of the shoots. The black mulch paper serves several purposes: It holds fumigants in the soil; it retains the moisture; it keeps down the weeds; it collects the sun's heat to make the little plants grow fast until their spiny leaves take the place of the rotting paper as a ground cover.

"On this plantation, we roll out enough mulch paper to stretch from Honolulu to London by way of Manila," Jot Pratt estimates.

Some of Mr. Pratt's enemies also find the mulch paper to their liking. Countless billions of ants invade the plantation from the surrounding jungle to make their nests under the protective paper. The ants carry mealy bugs to the pineapple plants. The mealy bugs, which are the ants'



PHOTO HAWAII

A fleet of eight trucks, each costing \$77,000, replaces the small railroad and carries cane twice as fast to the mills. Each has a capacity of 30 tons

This is a long-pull proposition. In Hawaii sugar cane takes two years to mature. After two seasons at the experiment station, the promising offspring are planted in larger experimental fields on the plantations. That is, the stalks are cut up in 18-inch lengths for "seed" and planted. Each cut makes a new plant. The varieties that are producing so generously today were gleams in some hybridizer's eye 20 years ago.

Guam. There the strains were grown until the HSPA made sure they were disease free, after which cuttings were flown on to Hawaii.

If cane growing in Hawaii seems fantastically scientific, pineapple farming in the islands is even more so. A good man to explain this is J. Dickson Pratt, whose missionary forebears came to Hawaii long before pineapple arrived.

"Jot" Pratt is manager of the



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milch cows, suck the pineapple juices.

The mealies are the most serious pest of the pineapple grower. They inject a virus into the plants that causes a wilt, which for a time threatened to wipe out the crop. Mr. Pratt's crews and those on the other plantations spray weekly to kill both mealy bugs and ants. If they can knock out the ants, they destroy the bugs' transportation. Thus, indirectly, they control the wilt.

**W**HILE they are at it, the plantation's crews mix other chemicals into the spray to work new wonders. One is a plant food, iron sulphate, without which the pineapple plants become too anemic to produce good fruit. Ironically, Hawaii's red soils are rich in iron, but it is locked up in insoluble form. So the pineapple plants starve in the midst of plenty, unless the growers feed them iron through their leaves. They also feed nitrogen, sometimes through the leaves and sometimes via the roots.

Another group of chemicals, the hormones, are injected into the sprays at strategic times to work even greater magic. Pineapple harvesting is expensive, even with the help of huge machines with long booms covering up to 20 rows, whose moving belts lift the fruits into detachable truck bodies for hauling to the canneries. Pickers follow the boom, quickly sizing up the fruit, deftly cutting those that are ripe and tossing them onto the belt.

The pineapple is an ornery plant, ripening at random as it feels the urge, when left to its own devices. So the growers trick the plants with a hormone spray that inspires the urge to blossom at once and to fruit almost six months to the day after the treatment.

Still another hormone will delay the fruiting, if too many pineapples are ripening for the cannery to handle.

"It's just a matter of controlling the love life of the pineapple," laughed one of the scientific farmers.

What the Hawaiian farmers want is more crops whose harvest they can stimulate and control as they do sugar and pineapple. They have tried rubber, cotton, sisal, rice, wheat, bananas, papaya, coffee, nuts, flowers, and cattle. Coffee thrives on the dry southern coast of the big island of Hawaii, but only as a small family farm crop. The same is true of papaya, the melon that grows on a tree.

Thousands of cattle are grown in upland pastures, unsuited for crops, where the cattlemen literally ranch on volcano slopes. But the islands produce only half the meat they

need. The by-products of sugar mills and canneries, molasses and pineapple bran, are diverted to feeding lots and dairies.

The only new crop that looks like big money tomorrow is the macadamia nut. An import from Australia, it thrives even better in Hawaii than in its native home.

The problem with macadamias, as with all new crops, is finding land that will not cut into sugar or pineapple production. One answer is a project near Hilo known as Keeau Plantation.

Five years ago this area was jungle. Then powerful bulldozers pushed over the jungle and shoved the trees into windrows for burning. Underneath lay a crust of lava, impossible to cultivate. The tree planters reasoned that if the lava would support a jungle growth it would support an orchard.

They drilled and blasted holes in the lava and set out 1,000 acres of macadamia trees, grafted to an improved variety developed by the University of Hawaii.

Small jungle trees sprang up like weeds to crowd out the orchard, but spray rigs jolting slowly between the rows dunked the new jungle growth with weed killer, carefully avoiding drift to the orchard trees. Next the plantation crews planted grasses and legumes to help nature cover the lava with soil.

Stimulated by fertilizers and



sprays, the young nut trees grew so fast that those first planted five years ago are now 15 feet high and are about to yield. When they do, the plantation management expects to catch the crops in metal aprons carried by tractors. Macadamias bear naturally all year round, but at Keeau the crops, controlled by hormones, will mature in about four harvests a year.

Keeau Plantation is just about the last word in transforming jungle wasteland into orchards that will



produce more dollars per acre than even sugar or pineapple. Into the project Castle & Cooke, the owners, have poured \$1,800,000. That will be the investment in the first bag of nuts to be harvested this year. But the long-range prospect is bright. If Keeau makes money, there are thousands of other acres of jungle that may be cleared and added to Hawaii's productive farm lands.

In the struggle for survival, the Hawaiians have fought not only a scientific war against nature, but they have been competing against relentless economic change. Immediately following the war, the International Longshoremen's & Warehousemen's Union, under the leadership of Harry Bridges, moved into the islands in strength to organize every plantation, mill, and cannery. The ILWU has been able to increase wages roughly fourfold, at the same time putting farming on a 44-hour week.

The growers have made a difficult adjustment to this revolution. On the sugar and pineapple plantations, they are paying wages from six to ten times what their competitors pay in the West Indies, Indonesia, and the Philippines. Selling in a competitive world market, the island growers have bridged this disparity in wages by making one machine do the work of ten men, by upgrading yields with better strains, by pest controls, and by scientific plant feeding.

The question is often asked, "How long can this go on?" Five years ago when the ILWU organized the farm workers, nearly every other expert foresaw economic doom just ahead. Half a dozen marginal sugar plantations did fold up. Most of the others, as the result of ultra-scientific farming, are doing business in the same old place.

On most plantations, labor forces have been cut in half. The shift of surplus labor has been to the cities, notably to Honolulu, where half of Hawaii's population lives.

With higher wages, plantation workers bought more automobiles, radios, washing machines, better furniture. This in turn made more jobs in stores and service businesses. The whole Hawaiian standard of living skyrocketed, supported in part by military spending but largely by bountiful returns from 600 scattered square miles of farm lands.

"Even if we could go back to the prewar paternalistic economy, with low wages and free houses and medicine and company stores, we wouldn't want to do it," a grower said. "It was rugged for a while, but now that we are on the mainland standard of living, we are going to stay on it."

END

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# The boss dies young

*"Great geniuses have the shortest biographies," said Ralph Waldo Emerson. He could have substituted "executives," who have ten per cent less life expectancy than employees, a condition Gold Cross was organized to improve*

By GREER WILLIAMS

**ROY NAFZIGER**, a 66-year-old bakeries corporation executive of Kansas City, Mo., remembers that it was at a funeral of one of his officials that he got the idea for Gold Cross.

The latter is one of the more than 400 executive health plans through which American business is trying to protect its investment in its leaders. At present, the average businessman has roughly ten per cent less life expectancy than his employees.

The assistant secretary-treasurer in the West Coast division of the Interstate Bakeries Corporation chain had died of a heart ailment. Still less than 40 when stricken in 1949, he had no idea that anything was wrong with his heart.

For almost an hour, Mr. Nafziger had sat in one of the chapels at the cemetery and listened with other mourners to the organ music and

service. He meditated on his friend's untimely death. Every few years one of his younger men went like this, in his 40's or 50's, a double loss to family and company. Later, the employer spelled his protest out on paper:

"It takes time and costs money to train executives. When trained, they become exceedingly valuable assets."

Mr. Nafziger, an accomplished horseman, cowboy guitarist and amateur magician, gives his associates frequent cause for amazement. Most of all, perhaps, they note his fondness for people and for business, neither of which seems to be long absent from his mind.

It was his opinion that his colleague would still be alive if he had had a health examination every year. He knew that many men had faulty hearts, but that they had learned to

get along with them. Possibly, he felt a challenge to his familiar boast, "I've never lost a man I wanted to keep," but he saw that he needed to add another rule for successful management. It was not only a matter of picking good men from the ranks and training them to be executives; it was also a matter of keeping them healthy.

Anyone would agree that a company's executives—multiplied by all companies, they are the brain power of industrial America—should have the best in medical care. Mr. Nafziger had convinced himself at the funeral that his own executives were not getting proper attention.

From observation, he knew that there were two parts to the problem. First was negligence. Many executives were too busy to have medical checkups. Second, although they



Roy Nafziger, getting checkup, wanted topnotch family care for his family of executives

knew how to find the experts in their own field, they many times were unacquainted with medical men. Where early detection of serious organic illness is vital, this lack of knowledge could prove disastrous.

The importance of correct diagnosis had been brought home to him on numerous occasions, for example when he and Mrs. Nafziger bought a ranch house in Palm Springs in the expectation that California's climate would cure her sinusitis. It had grown progressively worse in Kansas City, despite all treatment. It was not the California climate, however, but an allergist, recommended by a Chicago medical friend, who corrected the condition. Tests revealed Mrs. Nafziger was allergic to feathers and dog hairs. When these were banished, her trouble disappeared.

Mr. Nafziger concluded that he wanted an executive health plan that would appeal to his associates and assure them of the finest quality of

preventive medicine. "I wanted a plan to take care of a man daily if necessary and forever," is the way he recalls it now.

The choice of the program's name was easy.

"I am always looking for slogans and emblems in the baking business," said Mr. Nafziger. "Blue Cross and Red Cross came to mind—then Gold Cross."

Many health programs for executives were already in existence. Some few date back more than 30 years, according to a survey by the Metropolitan Life Insurance Company. The majority provide annual physical examinations on a free, voluntary and usually confidential basis. The cost to the company ranges from \$10 to \$300 per examination.

What Mr. Nafziger wanted was a topnotch family doctor for his family of executives—someone trained in diagnosis but who also would have a personal interest in his patients.

Inasmuch as the Interstate bakeries plants, employing 5,000 persons all told, are scattered in 23 cities, this sort of attention seemed

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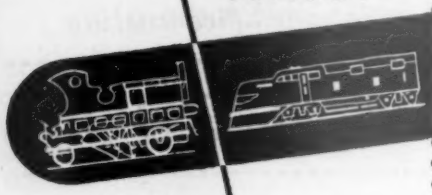
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difficult to achieve. Because the majority of the 70 highest executives, taking them from president on down to plant managers, lived in Chicago, Kansas City and Los Angeles, these were obviously the places to start. The rest of the company executives would have to make a trip of it until competent examining physicians could be found nearer home.

Since the heaviest concentration was in Chicago, that city was chosen as headquarters with Dr. T. A. Texidor in charge. Dr. Lewis T. Bullock of Los Angeles and Dr. Abraham Sophian of Kansas City were selected as examiners in their cities.

Obtaining authorization from his board to spend up to \$1,000 per man initially, Mr. Nafziger sent the first 70 invitations to participate. Allowing for one or two exceptions who wanted to think it over, the reception was virtually 100 per cent.

One executive's reply made the need of expert diagnosis tragically clear. His cousin had died of lung cancer. A year before the man had noticed some discomfort in his shoulder when he moved his arm. He thought he had bursitis. Ultimately, a more thorough examination disclosed a cancerous lung condition that was too far advanced to be corrected by surgery.

The plan got under way a year ago. The first 70 examinations revealed much of interest. For one thing, a middle-aged man with no physical defects is hard to find. Only four such cases were disclosed, although 17 others had only minor abnormalities. Thirty-six had mild, partially incapacitating diseases and 13 had "more serious diseases with some degree of incapacitation."

Many conditions uncovered had been unknown to the individual. Newly disclosed ailments included bronchitis, hypothyroidism, hypertension, varicose veins, anemia, anxiety state, spinal injuries, spastic bowel and cirrhosis of the liver.

The most common fault was overweight—18 cases. All were recognized previously, of course. These men were advised to cut down on sugar, fats and alcohol and take off two or three pounds a month for five or six months, thus avoiding starvation or self-punishment.

The next most common ailments were bronchitis and iron deficiency anemia—ten each. The inflammation of the bronchial tubes was commonly accompanied by a cough and usually attributable to heavy smoking. Advice: Cut down on smoking. The anemia cases, detected by a blood count, were mainly the result of "too much drinking and too little eating." Once known, the remedy was a cinch—eat more and drink

less, being sure to get enough iron.

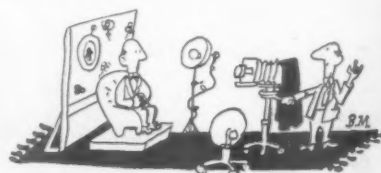
Among the more numerous defects uncovered were five cases of hypothyroidism, a subnormal functioning of the thyroid gland leading to dry skin, sensitivity to cold and a tendency to tire easily.

One "previously known" case of hypothyroidism had a strange twist. The Gold Cross examination revealed a perforated eardrum which the doctor plugged with cotton before asking the executive to breathe a measured amount of oxygen from a bag to determine his basal metabolism rate. Without the plug, the man could easily valve oxygen through his Eustachian tube from ear to throat when he breathed from the bag and thus queer the measurement.

Though he had none of the clinical signs, he had been told he had hypothyroidism and had been given thyroid extract—to cure something he did not have.

Use of this medicine, it is not surprising, made him nervous, because it caused a hyperthyroidism.

Correcting past diagnostic mistakes was necessary in nine cases where the individual's health was found to be better than he thought. For instance, one man had undergone surgery to remove a cancer of



the prostate gland. X-rays seemed to show that the cancer had spread to his spine and he was told he had three months to live. The Gold Cross found that the trouble in the spine was arthritis.

Six executives had either high blood pressure or heart disease; two others who thought they had one or the other were relieved to find they did not. One man, rejected for life insurance because of a heart murmur, was happy to learn that it was of a harmless type. Few ever die of a heart murmur, but many are scared half to death when told they have one.

Preventive medicine achieved its goal decisively in several Gold Cross patients, among them an overweight executive with a palpable liver and a history of hard drinking. A liver function test showed he had a mild cirrhosis of the liver, a disease which could have done him in within a year or two. Taking heed, he stopped drinking, took off 11 pounds and minded his diet. He had his liver



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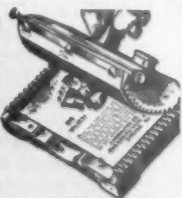
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functioning normally again within seven months.

The quest for an executive-family doctor relationship found literal application in the case of one I.B.C. man and his wife who had been unable to have children and, careful history-taking revealed, were deeply disturbed about it. Dr. Texidor arranged for them to adopt a baby from the Evanston, Ill., Cradle.

The Gold Cross diagnosticians give oral advice freely, but draw the line at special treatment such as surgery, courses of injections or anything that takes specialized knowledge outside their field. In their first year, they referred 18 patients (not the same 18 "returnees" mentioned above) to other specialists—surgeons, urologists, dermatologists, otolaryngologists and ophthalmologists. The executive pays for such treatment.

The great distinction of Gold Cross seems to be summed up in the words of its medical director: "The only limit in this examination is the ability of medical science to make a diagnosis."

Certainly the examination, covering more than 300 check points, supplies one element frequently missing from ordinary physical examinations. Most doctors will agree it is the essence of good diagnosis—does the doctor take enough time?

**T**HE examination customarily involves three visits and a total of seven to eight hours over a period of three days. On the first visit, the diagnostician spends one to two hours taking a case history and examining the patient, the time taken depending on what he turns up. Laboratory tests consume approximately five hours the second day. On the third visit, the doctor takes as much time as necessary, usually an hour, to review the findings with the patient and advise him. In the end, each man gets a written report. Each year, too, the examination starts from scratch.

Cost-conscious business leaders will find it good news that Gold Cross has not eaten up the \$1,000 per man that Mr. Nafziger set aside. The cost for the first year worked out to about \$40 a month or \$480 a year. This is equivalent to giving a man a \$10 a week raise, but the company deducts it as a business expense.

Satisfied, Mr. Nafziger is now expanding the Gold Cross to take in, in addition to the original 70, more than 100 I.B.C. office managers, sales managers and engineers, plus executives of other companies which meet his specification that they show more interest in their executives' health than the cost of watching it.

Gold Cross requires no contract

from participating companies. "I am not in this for profit," says Mr. Nafziger. "They can come in and share the cost, prorated per man examined. I feel that once in, no company can afford to be without Gold Cross."

Mr. Nafziger is well acquainted with the strains management imposes on a man and well equipped to survive the gaff himself. The quick-blooming Gold Cross is only one example of his variety of pursuits, calculated to give ordinary individuals a nervous breakdown just thinking about them.

Ralph LeRoy Nafziger, overindulged by his father as a small boy, was forced to give up college in his second year when a mortgagor padlocked the father's bakery in Kansas City. Then 18, the boy succeeded in paying off the \$3,500 mortgage a few dollars at a time by establishing first one and then other bread routes. In fact, it may be said that he ran one bread wagon, a converted, horse-drawn milk wagon, into a fortune. This fortune he lost and rewon, in both cases by borrowing more money.

At 40, Mr. Nafziger, by now a gentleman farmer and horse fancier, decided to sell his bakery chain and retire. After a brief trip to Europe, he reinvested his money in a national merger to be known as Interstate Bakeries Corporation.

By 1930, three years later, he was broke. Having obligated himself as a partner in a new West Coast merger, he was unable to pay off his notes and presently discovered he had lost \$3,000,000. He was not quite as unperturbed by this as he sounded when he replied to a chiding banker friend:

"I started with nothing. I have nothing now. I guess I haven't lost anything."

**A**S A matter of fact, he went to bed for two weeks to repair his badly shaken nerves. His credit was still good, however, so good that he subsequently borrowed more money and worked his way back into financial as well as executive control of I.B.C. by buying in shares for 50 cents. They are now worth about \$20.

Still an empire-builder today, he has added Milwaukee and Buffalo links to the chain within the past two years.

"I'm a great fellow to take lessons," is the way he explains his diversions. These began early with his learning the giant swing in the gymnasium, plus Indian-club swinging (he exercises with them every morning) and correspondence courses in such things as personal efficiency. They continued recently with lessons in the crawl stroke at



the Chicago Athletic Club pool. Some 30 years ago, he became one of the first businessman pilots. His flying instructor was John R. Dow, now his executive vice president.

Meanwhile, he became one of Kansas City's leading horsemen, as a polo player who owned his own field, a steeplechase rider, member of the Masters of Fox Hounds Association of America and a onetime owner of a racing stable. He sold the stable rather than see his friends lose money backing his horses.

**W**HEN in California, where he now spends most of his time, he may be seen riding as a member of the Sheriff's Mounted Posse of Los Angeles County, the nature and function of which seems to be to dress up and ride in parades. He is also an accomplished calf-roper.

Extending the Old West touch, he learned at 55 to play the guitar and is a welcome guest even in Mexican circles, where the guitar rates tops as a musical instrument. Among his favorites is, "I Ain't Got No Use For Women," which is untrue; he has been married twice.

Mr. Nafziger probably reached his peak as a man who will try anything when he paid a magician some \$1,200, at \$50 an hour, to teach him magic.

"Age 65 means nothing to me," he observed, pointing out that his company does not believe in forcing a man to retire at any specified time of life. As if to banish any doubt, he recently bought a Jaguar sports car on the theory it would make him feel younger. Sure enough, a Palm Springs neighbor called over, "Aren't you ever going to grow up?"

Apparently not. First in line for a Gold Cross examination, Mr. Nafziger emerged in good shape and with only a mild paunch. Having ordered that he not be informed on the state of his executives' health, so no one could accuse him of hiring or firing on that basis, he was a little taken aback when Dr. Texidor told him, "I am sorry, but I am going to have to give you information on one of your executives."

"Who?" said Mr. Nafziger.

"You," said the doctor.

It seemed that Mr. Nafziger's uric acid was high enough to suggest gout and that he was a little overweight. Exercises and more horseback riding remedied the condition.

Though he confesses that he wakes up in the middle of the night "thinking about things, but not making a production out of them," he says, "I try to be lazy." It might be said his insistence that his executives keep fit and on their toes is consistent with this effort.

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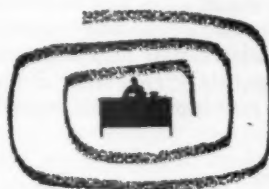
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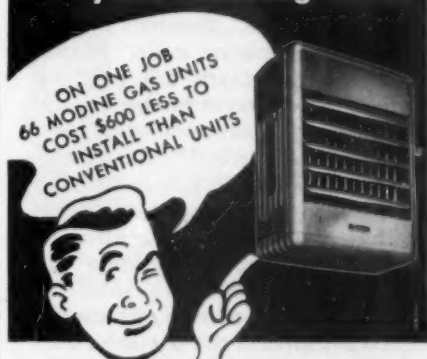
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GU-1207

## Here's the Debate on U.S. Sales Tax

(Continued from page 30)

"liberal" groups oppose the tax on the ground it hits the "little man" hardest. The Democrats have officially warned the administration that any attempt to enact a sales tax will be made into a "major campaign issue in the 1954 election."

Most Washington handicappers—if assured there's no money riding on what they say—will hazard that the odds are probably against any sales tax being put on the statute books in 1954, since all House members and one third of the senators come up for re-election next November.

But if a sales tax isn't enacted in 1954, it will remain a major potential source of revenue. As long as federal spending stays high, the sales tax will be in the forefront as a reserve money raiser.

Most people think of a sales tax as one that is paid when they make their purchases in the store. But the retail sales tax is just one type. The type being studied by the Treasury is a manufacturers' sales tax, which would be paid as items leave the point of manufacture.

Uncle Sam is already collecting what amounts to sales taxes on a variety of items. Federal retail sales taxes are paid on furs, cosmetics, jewelry, luggage, theater tickets, train fare, telephone calls. Manufacturers' sales taxes are paid on cigarettes, gasoline, automobiles, refrigerators, television sets, golf clubs. Instead of being called "sales taxes," they are called "selective excises."

Some proponents of a sales tax feel that its greatest handicap is its name. They think this stigma will rule out a manufacturers' sales tax just as it has helped rule out a retail tax. To get around the obstacle, they suggest a scheme something like this: eliminate one or two of the existing excises that weigh most heavily on business, such as the three per cent freight tax; reduce some of the present 15, 20 and 25 per cent excise rates; then levy new "selective" excises on half a dozen major consumer products not now taxed—furniture, rugs, clothing, glassware, soft drinks and candy are examples.

The result, they say, would not be much different from any sales tax Congress might pass, in view of the many exemptions the lawmakers would feel obliged to impose.

This device is getting more and more attention as Congressional leaders register their opposition to any measure that can clearly and

publicly be labeled a sales tax bill.

While the revenue raising potential of a general sales tax is great, how much it would bring in would depend on the rate of the tax and exemptions.

The question of exemptions points up one of the drawbacks of a sales tax. If the tax allows all the exemptions needed to make it palatable, its yield might be cut to the point where it wouldn't warrant the political risks involved.

"If you exempt food and medicine," says Representative Reed, "you don't get much revenue, and if you don't exempt those things, you place a heavy load on the man with a large family."

Right now, selective excises bring in about \$10,000,000,000 a year, with liquor and tobacco taxes accounting for about \$4,400,000,000. Most sales tax backers would keep liquor and tobacco taxes separately at their present high "selective" rates. A ten per cent manufacturers' tax on all other products except food, drugs and major business cost items would bring in about \$7,600,000,000 a year. Together with the money from the liquor and tobacco taxes, this would mean an annual yield of about \$12,000,000,000 or about \$2,000,000,000 more than the government gets now.

Before the retail sales tax idea was junked, it was estimated that a five per cent retail sales tax would bring about the same revenue—again assuming that liquor and tobacco are taxed separately, that food, drug and business cost items are exempted and



that certain services such as shoe repairing and dry cleaning are subject to the tax.

These figures compromise widely varying estimates as to the potential yield of a sales tax, and Treasury and congressional experts think they are as close to the mark as possible.

The sales tax debate concerns economic philosophy as well as potential revenue. Many experts see a serious imbalance in the U. S. tax structure, with too much reliance on

income taxes and too little on excises. They say excises are more stable revenue producers than income taxes because consumer spending fluctuates less than individual income or corporate profit if business rises or falls. If too much reliance is placed on income taxes, the argument goes, even a moderate business drop could bring a large federal deficit. Also, it's argued, in boom times federal revenue would shoot up, encouraging federal spending and adding to inflationary pressure.

Excises are now the nation's third revenue source—behind both individual and corporate income taxes. Back in the mid-thirties, 40 per cent of federal income came from excises, but today they supply only about 13 per cent of U. S. revenue. In contrast, Great Britain, Canada, France, Norway and other countries are getting anywhere from 25 to 75 per cent of their revenues from excises.

Sales tax advocates maintain that the present high level of individual income taxes discourages savings and dries up risk capital. High corporate rates kill incentive for efficient management and expansion, they add. Excises probably interfere with production incentives as little as any tax. In fact, proponents say, since the tax is levied only on what is spent, it encourages savings, formation of capital and economic expansion.

Even the strongest advocates of increased reliance on excises have few kind words for the present selective excise system.

Commerce Secretary Sinclair Weeks has called existing excises "cockeyed." Examples of what he means are numerous. A silver-plated pitcher is taxed 20 per cent but one of fine cut glass is tax-free. Expensive watches are taxed 20 per cent at retail, but expensive shotguns are taxed only 11 per cent at the lower manufacturers' price level.

An argument frequently advanced in favor of the sales tax is that it would reach many incomes that now go untaxed. Proponents feel it might be the easiest way to tax low income families which receive many federal benefits but contribute little or nothing to the cost of government. A sales levy would also reach persons living on tax-exempt incomes, those with large deductions and out-and-out tax dodgers. The tax would be impossible to evade if a person spent money.

Other pro arguments include: The tax would be relatively inexpensive to administer and collect. The government's experience with selective excises has given it a good foundation for collecting a sales tax. With the basic machinery in operation,



the amount of revenue derived could be varied by moving the rate up or down.

Finally, backers cite the findings of John F. Due, a University of Illinois professor recognized as a leading authority in this field. After a long study of the Canadian manufacturers' sales tax, Professor Due concludes that, although no one claims it is perfect, most people believe it is a lesser evil than higher income taxes.

Sales tax opponents center their attack on the charge that it is "re-



gressive," meaning the tax takes a larger proportion of a small than of a large income. Large low-income families must spend practically all their earnings and thus a large part of their income is subjected to the sales tax, according to these critics, while upper bracket families can save much of their income thus paying proportionately less tax.

Unions are unanimous in their opposition. The CIO estimates that families earning less than \$1,000 a year would pay nearly three times as large a share of their income in sales and other excise taxes as families earning more than \$7,500.

Sales tax backers deny it is "regressive." They say that exempting food, medicine and rent would guarantee that lower income families don't get badly hurt. Moreover, they point out, progressive income tax rates would be retained, making sure that upper bracket taxpayers still pay their way.

Inflation figures in both sides of the debate. Those favoring the tax say it would be anti-inflationary at times, since it leaves consumers less to spend. Those against it label it inflationary, maintaining it would increase the cost of living, boost wages tied to the cost of living index and raise farm parity price levels.

Many businessmen fear the added cost to consumers resulting from a sales tax would hurt sales and reduce business activity. Many also bewail the extra bookkeeping the tax would entail. Some versions proposed would tax many items which firms must buy to carry on their businesses—typewriters, delivery trucks, fuel, office supplies. A manufacturers' tax would increase the amount of capital

needed by the wholesaler and retailer, because merchandise costs would include the tax.

Opponents also deny that the government's excise tax experience simplifies entry into sales tax collection. A national sales tax, they say, would require large additional collection forces and raise brand new problems of enforcement and interpretation.

The manufacturers' tax is claimed to have special advantages over the now discarded retail tax.

Sponsors of a manufacturers' sales tax say it is cheap to collect and difficult to evade. Only 300,000 manufacturers would be subject to the tax and most of them already keep detailed records. A retail sales tax, on the other hand, would involve some 3,000,000 retailers.

Canada, with an economy much like our own, has manufacturers' tax machinery which experts think we could easily adopt. All Canadian manufacturers are licensed. If a licensed firm sells to another licensed firm—for example, a tire manufacturer selling to an auto maker—no sales tax is charged. But when the licensed manufacturer sells to an unlicensed buyer—the tire maker selling to a gasoline station—the tax is charged.

Or the system might be based on one now used in the United States to collect selective manufacturers' excises. The Internal Revenue Service issues exemption certificates to firms which can show they are buying for a further manufacturing process.

An argument advanced for the manufacturers' tax is that it would be less disturbing to federal-state relations. More than 30 states and many cities now rely on retail sales taxes as a main revenue source, and they could be expected to resent any federal invasion of this field. States already have complained about federal selective excises on retail purchases, but have not shown much resentment against federal manufacturers' excises.

President Eisenhower gave as his main reason for abandoning the retail sales tax the fact that taxation at the retail level belonged primarily to the cities and states.

Some politicians feel the manufacturers' tax would create less popular resentment since it would be less noticeable than a retail tax. Consumers would know the manufacturers' tax was somewhere in the price, but the exact amount wouldn't stare at them from the sales slip. Also, those who believe excises should play a more prominent role in the tax system feel the less obtrusive the tax is, the less pressure there

(Continued on page 104)

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would be to repeal it when the budget picture improves.

The major objection to the manufacturers' levy is "pyramiding." This occurs when wholesalers and retailers include the tax in the cost upon which they base percentage mark-ups.

For example, a manufacturer now sells an article for one dollar. The wholesaler takes a 20 per cent mark-up, making his selling price \$1.20. The retailer takes his 50 per cent markup and charges the consumer \$1.80.

**BUT** if a ten per cent manufacturers' tax is put on the item, the manufacturer's selling price becomes \$1.10. If there is pyramiding, the wholesaler bases his 20 per cent markup on this \$1.10, and his selling price becomes \$1.32. The retailer then adds his 50 per cent to the \$1.32 and the customer must pay \$1.98.

Despite this apparent source of extra profits, retailers and wholesalers generally oppose the manufacturers' sales tax—both because of the larger investment of working capital needed to cover increased merchandise costs and because they fear higher prices will cut sales.

Backers of the manufacturers' tax agree there would be pyramiding at the start, but they maintain that competition would soon eliminate most of it. This has been the experience in most U. S. industries subject to selective manufacturers' levies, they say. They also emphasize that pyramiding could occur only in industries using a percentage markup, and not in the many lines operating on a dollar-and-cent markup or on a dealer discount basis.

If the Treasury and Congress decide a manufacturers' sales tax is the aspirin needed to dispel the nation's fiscal headache, they will still face other perplexing problems.

Should there be one rate or a graduated rate—say three per cent on food and other necessities, ten per cent on most general use products and 20 to 50 per cent on luxuries? A graduated rate might be less burdensome for low income families while still increasing total sales tax yield. However, it would increase the administrative headache both for government and businessmen.

What sort of exemptions should there be? The more exemptions, the more acceptable the tax, but the less the yield and the more difficult the administration. Widespread exemptions would soon bring the kind of discriminations condemned in the present selective excise system.

Should the tax include goods used in production—machinery, fuel, building materials, and so on?

Should it cover sales to corporations as well as to individuals—locomotives bought by a railroad, for example? Should the food exemption include caviar, pate de foie gras, fancy pastries? If clothing is exempted, should a mink coat be considered clothing?

Should a dollar "breaking point" be used on some items—taxing suits, say, only if they cost more than \$65? Should sales to religious and charitable organizations be exempt? What should be done about a manufacturer who sells to wholesalers, jobbers, retailers and directly to consumers—and to all at different prices?

Plenty of people in Congress and out say that all the sweat being expended over the sales tax is sheer waste.

"Look at history," they say.

The general sales tax has been beaten every time it has been considered in Congress, although selective excises have been part of the tax structure since 1791. Such a tax was considered during the Civil War, during and immediately after World War I, during the depression and during World War II. But it has never passed even one house of Congress.

**P**ROBABLY the closest a sales tax ever came to being enacted was in 1932. Federal spending was high as the government tried to combat the depression, but revenue was as depressed as the rest of the economy. Impressed by Canada's experience with a sales tax, many congressmen decided they would support the idea and a two and one quarter per cent manufacturers' sales tax reached the House floor. But some Democrats, led by Rep. Robert L. "Muley Bob" Doughton, teamed up with liberal Republicans led by Rep. Fiorello H. LaGuardia, later mayor of New York, and the tax was beaten.

Another strong try was made in 1942 when a sales tax figured prominently in discussions of the revenue act designed to raise money for World War II. More than 70 witnesses testified before the House Ways and Means Committee. Most business groups supported the tax, but the administration, labor and consumer groups opposed it, and the committee voted it down.

Spurred by a need for revenue second only to that encountered in the midst of all-out war, the administration and Congress again have to face up to a decision on the sales tax. What that decision will be is cloaked behind the imponderables of international affairs, the national economy, the federal budget—and above all, politics.

END



nb

# notebook

## For the public good

MOST people agree that businessmen give time generously to civic and public welfare activities but nobody, so far as we know, ever bothered to find out just what this contribution actually amounted to.

C. H. Wetterau, vice president of the First American National Bank of Nashville, Tenn., found out.

He limited his survey first to the 53 officers and branch managers of his own bank. Then he reduced it further by including only those who were officers or chairmen of outside organizations. This omitted several men who were rank-and-file workers for various activities.

Neither did he count work done for religious or fraternal organizations. This left 23 workers.

For these he found that civic and welfare activities consumed an estimated 6,292 hours a year. Highest individual time spent on outside activities was 700 hours although six workers gave 500 hours or more—half of it during banking hours.

Some of the executives were taking part in a half-dozen or more civic and welfare activities.

## Penalty for negligence

CITY councilmen in six states have acted rapidly to prevent repetitions of the August tragedies when in three days, in three different incidents, 11 children were suffocated in abandoned refrigerators. Eight cities now have ordinances providing stiff penalties for those who fail to seal the doors or remove the locks from such boxes.

Stiffest penalty is set in Schenectady, N. Y., where, according to Corporation Counsel Charles Ward Brown, the new law permits a fine up to \$500 and/or a year in jail for violation.

In Olean, N. Y., and Warwick and Hampton, Va., the penalty is a fine of \$10 to \$100 or ten days in jail. Other cities where penalties range from \$20 to \$50 include Youngstown, Ohio, Beverly, Mass., Jackson, Tenn., and Takoma Park, Md.

In Illinois a state law imposes a

\$50 fine and/or a 30 day jail sentence on those who store or leave refrigerators in accessible places unless the doors have been removed.

## More distaff leadership

LAST month we reported, somewhat breathlessly, that Schoharie, N. Y., had elected two women business leaders to the top spots in its Chamber of Commerce. Fortunately we controlled our inclination to say that this was "unique."

Now, Edwardsville, Ill., having counted the votes, reports that the chamber's new president is Mrs. W. H. (Dolores) Rohrkaste, 30 year old mother of three children and a partner with her husband in a dairy business.

On the board is Mrs. James L. (Lola) Reed, co-worker of an insurance firm attorney.

Mrs. Rohrkaste was elected to a three-year term as a chamber director in 1950 when the membership was 140 plus. Today the chamber has 232 members.

## Emphasis on young citizens

SELF-RELIANT seniors in the three high schools in the Middletown, Ohio, area will share \$1,500 in prizes annually for the next three years in a contest believed to be the first of its kind ever held anywhere.

W. W. Sebald, president of Armco Steel Corporation, who conceived the idea for the award and will personally contribute funds to make it possible, explains his purpose:

"For some time I have had the idea that it would be worth while to focus the attention of our young people on the importance of self-reliance. The foundation upon which this nation has been built will be secure only so long as its citizens are industrious, self-reliant, cooperative and religious. Our young citizens of today will determine our country's future."

The Middletown Junior Chamber of Commerce will handle the program, screening all senior students and selecting winners. Students will not enter a formal contest but will



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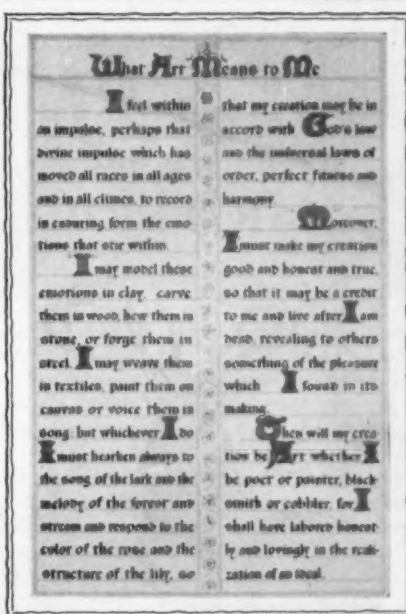
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be judged on how well they use their time. Scholarship will count, but more important will be participation in school and community activities and work after school hours.

The \$1,500 will be split eight ways with separate awards for boys and girls: first prize, \$400; second, \$200; third, \$100; fourth, \$50. Winners may use the money as they please.

### Magazines for friendship

DESCRIPTIONS of the American way of life fall short of convincing nationals of other countries because, apparently, these put too great a strain either on their comprehension or credulity. Nor is it possible to bring to this country all those who need to be convinced—or to take this country, including such intangibles as spirit and freedom, to them.

Fortunately, this is not a complete impasse. One medium exists which seems qualified to take the whole American story to any place it can reach. That is the American magazine. Attempting to find some phase of American life not reflected in our periodicals would be difficult.

Now American magazines are to be put to work to carry the American story abroad.

The United States Committee for United Nations Day adopted the Magazines for Friendship Program as a major project for United Nations Day, Oct. 24.

Organized by Prof. Albert Croissant of Occidental College, Los Angeles, the program will enlist the help of individuals and organizations in collecting copies of old magazines for distribution in foreign countries. The committee hopes to have the project sponsored by 110 national organizations and some 5,000 local communities.

### Chamber country club

IF YOU stop in Lewisburg, Tenn., long enough for a grease job and a change of oil, you may be invited to the country club. Everybody—including the congenial tourist—is a member.

Lewisburg is proud of its country club. The Chamber of Commerce is pretty smug about it, too. The chamber built it.

It started in January, 1952, when the chamber elected Ewell Butler, soft-spoken furniture dealer, president. A small group had tried to organize a country club and failed. Mr. Butler saw the club as a community project with everyone in Lewisburg and Marshall County as members. It looked like \$80,000 would swing the deal.

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**NATION'S BUSINESS**  
1615 H Street, N. W.  
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a young feed manufacturer, made him chairman of the new recreation committee, and told him, in effect, to build a country club.

Mr. Hopkins started first by writing down the names of men who, he believed, might give \$1,000 for a country club. He turned his persuasion on them and shortly had 28 checks. With these to wave, he started on manufacturing plants, asking them to contribute \$25 for each employee. One company put up \$10,000; two local banks gave \$1,000 each; the Veterans of Foreign Wars came through with \$2,000.

Shortly everybody was in the act. Backers of the aborted country club gave 80 acres of land and \$20,000 from their treasury; a local contractor agreed to do the building without profit. An architectural firm offered its services at cut rates, workers agreed to donate a day's wages or a day's work.

On June 1, 1953, the new club—estimated to be worth \$250,000—was opened. No membership cards are needed for admission to the low, ranch-type clubhouse, or the 60x135 foot swimming pool. There is a nine-hole golf course, tennis and badminton courts, baseball diamonds, picnic facilities—even an adjacent fair grounds where the Marshall County fair will be held in the future.

And everybody for miles around has a good idea what a lively chamber of commerce can mean to a community.

### Where they hunt dinosaurs

SEVERAL million years ago, long before chambers of commerce and civic pride, dinosaurs roamed the area of Vernal, Utah, eating an occasional cave man and basking in the sun. Nobody has seen one of these beasts for a long time, but Vernal is a hospitable town which dreaded the thought that somebody might see one, shoot it, thus putting the town under the necessity of punishing the nimrod for shooting dinosaurs without a license.

So Vernal now issues a bona fide dinosaur hunting license to every tourist. This document permits him to "hunt, pursue, shoot, kill: A. Tyrannosaurus rex, one only (adult male); B. Diplodocus Gigantius, one only (either sex); C. Stegosauri, two only (males) any size; D. Pterodactyli, four only."

Although none of these beasts have been killed this season, old-time Vernal residents insist that, on moonlight nights when the wind just whispers over the desert, dinosaurs still roam the outskirts of the business community. And, they add, the season is still young.



## Pete Progress and the dreamy philosopher

"Hey, Homer, watch where you're walking," warned Pete Progress.

"Thanks, Pete," said Homer, "I was thinking about something else."

"Seems like you're thinking overtime. What's on your mind?"

"Well, I've been sort of dreaming about living someplace where everything is perfect and everyone is happy."

"Kind of Utopia, you might say," mused Pete. "Anything wrong with this place?"

"Not bad, but not perfect. There's a few changes that could be made. For instance..."

"Hold up, Homer. I suggest you go down and join the Chamber of Commerce."

"What's that, a philosophical society?"

"Nope, more like a grist mill. You insert an idea in one end and a deed comes out the other end. Chambers of Commerce all over the country work to make their communities more attractive to live and work in. And speaking of philosophies, the fellows who belong to the Chamber have a pretty fine one. They believe that it's more rewarding to give than to take. That's why they're constantly working to improve our school systems, promote safety measures, solve traffic problems, beautify the town, provide recreational facilities..."

"So long, Pete."

"Where you headed?"

"Down to the Chamber. I've got a couple of ideas to grind out."

**Your chamber of commerce is working for you. Why don't you help them?**





# YOU CAN END THE TRAFFIC JAM

**TIRED** of the traffic battle? You can win it. No one else can. But you can.

How? Let's look at the problem, briefly. In the past 20 years the number of automobiles, trucks and buses on our streets and highways has more than doubled—to reach a record high of nearly 54,000,000.

Where are they? Most of them are strung out in congested traffic lines in city streets and on main highways, causing waste of time, temper and money and sharply reducing their value of safe, swift and convenient transportation.

What are we doing about these streets and roads? Not enough. Figures show that. In 1930, when the traffic load was less than half that of today, we spent a grand total of \$2,536,000,000 on our road system, local, state and national.

This year the total expenditure will be about \$5,453,000,000. That looks all right—until we remember that today's dollar will buy not much more than half the road that 1930's dollar produced. Put in that fac-

tor and you find that we've doubled the load, and we're trying to get by without paying any more—or very little more—than we paid for the 1930-model highway system.

Are we driving a sharp bargain? It's no bargain at all. We're paying the cost in other ways.

In death tolls and hospitalization costs, in higher maintenance and insurance costs, in wasted time and fuel and in senseless crashes. In delay-produced higher transportation costs, for most of what we eat and use comes over the road at some point on its way to us. We've even reached the point where the average man uses his automobile less—while he pays more for it.

Thomas H. MacDonald, whose authority stems from his service as U. S. Commissioner of Public Roads, has said: "We pay for good roads whether we have them or not—and we pay less if we have them than if we do not." The cost of inadequate highways has been carefully estimated to be \$3,000,000,000 a year—in wasted money.

So the point is clear. We need better streets and highways. We can get them in only one way—by putting up the money and buying them.

Today throughout the nation sentiment in favor of better roads is almost unbounded, almost unanimous. But national sentiment pours no concrete on Market Street, nor on Main. Nor does it widen inadequate state highways. These things take local action.

So the job is to translate into local action the favorable sentiment that is ineffective until it is organized. That's where you come in.

Nearly every county and city in the nation, and every state needs a citizens' organization to get better roads—to bring to bear on planning officials, on highway engineers and on elected representatives at every level the communities' needs, desires and willingness to pay.

The voice of a single citizen may not carry far. But the voice of citizens in concert carries power that forces action.

How can you organize that power? It's easy, because your neighbors' attitude on roads is the same as yours.

Like so many national problems, the roads issue can be resolved only by grass roots action. By getting concrete poured on Market Street, by getting an inadequate highway widened, you can solve the national roads problem. There is no other way.